

SELINGROVE AREA SCHOOL DISTRICT
SELINGROVE, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2020

SELINGROVE AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Selinsgrove Area School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Adoption of New Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2020 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 15, subsequent events may have a significant impact on the operations of the District. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance budget and actual – General Fund, the schedule of changes in the total OPEB liability and related ratios – district other postemployment benefits plan, the schedule of the district's proportionate share of the net OPEB liability – PSERS plan, the schedule of the district's OPEB contributions – PSERS plan, the schedule of the district's proportionate share of the net pension liability and the schedule of district contributions – pension plan on pages 4 through 18 and pages 65 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical schedules on pages 72 through 76 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling



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such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFOSKE AXELROD LLC

Harrisburg, Pennsylvania
January 21, 2021

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

The Management Discussion & Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2019-20) and the prior year (2018-19) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The General Fund surplus for the year was \$656,273.
- The District refinanced three outstanding bond issues for a total cash savings of \$405,218 over the life of the bonds.
- Total General Fund Reserves (total fund balances) at year-end were \$10.22 million representing 22.7% of budgeted expenses.
- The Food Service Account ran a loss of \$122,390 because of the school shutdown in the spring due to the coronavirus.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates as a business, such as food service.

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

In the district-wide financial statements, the District's activities are divided into two categories:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities - The District charges fees to help cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, we provide additional information with the governmental funds statements to explain the relationship between them.

- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was (\$55,465,488), on June 30, 2020. (See Table A-1).

**Table A-1
Selinsgrove Area School District
Net Position as of
June 30, 2020**

	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$22,283,807	\$19,251,033	\$741,600	\$673,458	\$23,025,407	\$19,924,492
Capital assets	37,929,057	38,702,908	561,775	545,515	38,490,832	39,248,423
Total Assets	\$60,212,864	\$57,953,942	\$1,303,375	\$1,218,973	\$61,516,239	\$59,172,915
Deferred Outflow of Resources	\$14,975,824	\$12,794,076	\$0	\$0	\$14,975,824	\$12,794,076
Long term debt outstanding	\$53,046,569	\$50,631,804	\$5,836	\$6,002	\$53,052,405	\$50,637,806
Other liabilities	7,043,772	7,393,527	51,670	89,492	7,095,442	7,483,020
Net Pension Liability	65,767,000	64,326,000	0	0	65,767,000	64,326,000
Total Liabilities	\$125,857,341	\$122,351,332	\$57,506	\$95,494	\$125,914,847	\$122,446,826
Deferred Inflow of Resources	\$4,351,000	\$4,985,653	\$0	\$0	\$4,351,000	\$4,985,653
Net investment in capital assets	\$8,176,951	\$8,349,201	\$561,775	\$545,515	\$8,738,726	\$8,894,716
Restricted net assets	7,200,008	3,629,864	0	0	0	3,629,864
Unrestricted net assets	(70,396,612)	(68,568,032)	684,094	577,964	(62,512,510)	(67,990,068)
Total Net Position	\$(55,019,653)	\$(56,588,967)	\$1,245,869	\$1,123,479	\$(53,773,784)	\$(55,465,488)

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2020

Table A-2
Selinsgrove Area School District
Fiscal Year Ended June 30, 2020
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
	Revenues					
Program Revenues						
Charges for services	\$329,789	\$342,750	\$683,477	\$499,163	\$1,013,266	\$841,913
Operating Grants & Contributions	8,507,503	8,860,494	781,483	637,310	9,288,986	9,497,804
Capital Grants & Contributions	298,418	571,395	0	0	298,418	571,395
General Revenues						
Property Taxes	17,218,154	17,655,736	0	0	17,218,154	17,655,736
Other Taxes	7,946,318	7,609,972	0	0	7,946,318	7,609,972
State formula aid	8,651,587	8,736,625	0	0	8,651,587	8,736,625
Investment earnings	478,058	329,222	7,726	8,982	485,784	338,204
Other	4,058	6,002	0	0	4,058	6,002
Total Revenues	43,433,885	44,112,196	1,472,686	1,145,455	44,906,571	45,257,651
Expenses						
Instruction	27,341,704	28,689,752	0	0	27,341,704	28,689,752
Instruction Student Support	4,661,169	4,927,576	0	0	4,661,169	4,927,576
Administration	4,192,835	4,399,936	0	0	4,192,835	4,399,936
Operation & Maint of facilities	3,493,159	3,745,796	0	0	3,493,159	3,745,796
Pupil Transportation	1,945,588	1,963,098	0	0	1,945,588	1,963,098
Student Activities	932,615	860,294	0	0	932,615	860,294
Community Services	38,765	30,191	0	0	38,765	30,191
Interest on Long term debt	1,062,042	1,064,867	0	0	1,062,042	1,064,867
Food Service	0	0	1,367,572	1,267,845	1,367,572	1,267,845
Total Expenses	43,667,877	45,681,510	1,367,572	1,267,845	45,035,449	46,949,355
Increase/(Decrease) in Net Position	\$(233,992)	\$(1,569,314)	\$105,114	\$(122,390)	\$(128,878)	\$(1,691,704)

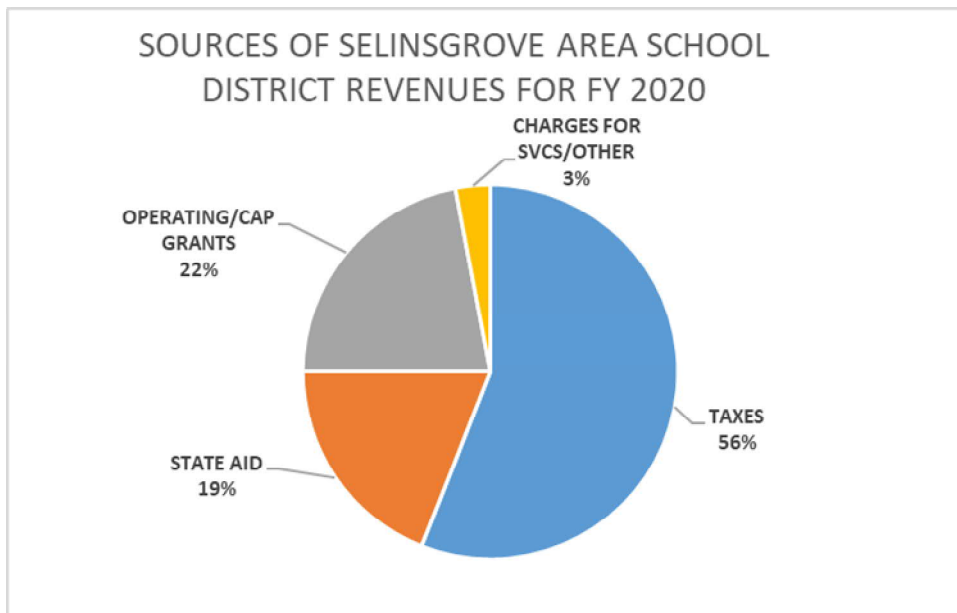
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

Changes in net position. The District's total revenues were \$45,257,651 for the year ended June 30, 2020 (see Table A-2). Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$25,265,708 or 55.8% of total revenues. Another 19.3% or \$8,736,625 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 22.3% or \$10,069,199 came from grants and contributions, with the remainder of \$1,186,119 or 2.6% coming from fees charged for services and investment earnings.

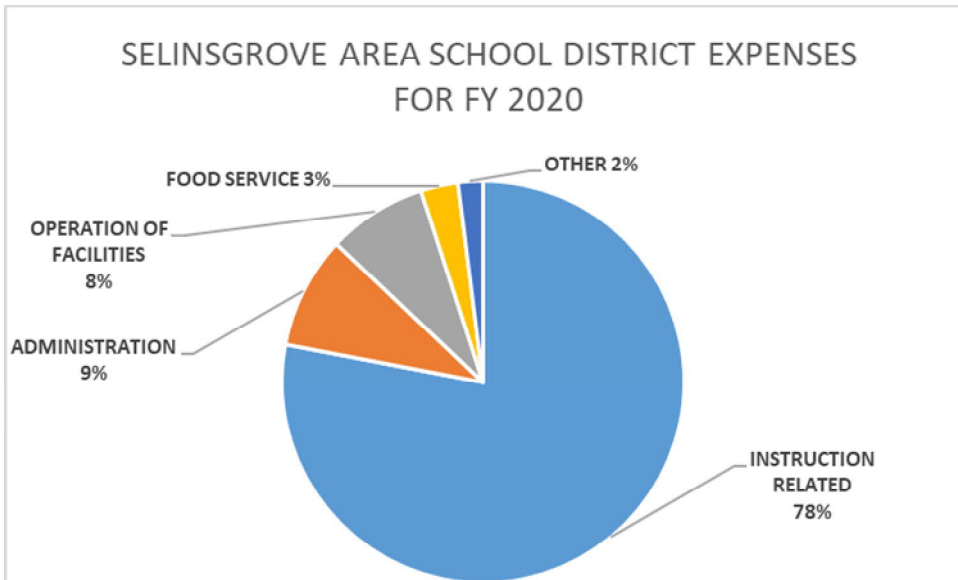
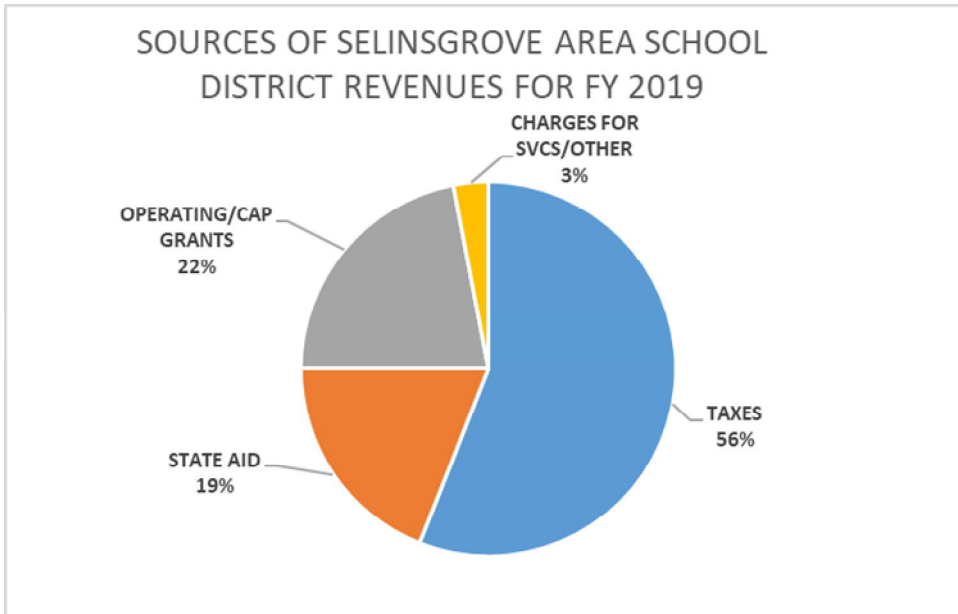
The total cost of all programs and services was \$46,949,355 (see Table A-2). The District's costs related to educating and servicing students were \$36,440,720 or 77.6% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 9.4% of total expenses or \$4,399,936 and operation of the District's facilities accounted for 8.0% of total expenses or \$3,745,796. Finally, food service costs made up 2.7% of total costs or \$1,267,845 and all other expenses (including interest on long-term debt) accounted for 2.3% or \$1,095,058.

Total expenses exceeded revenues, decreasing net position by \$1,691,704.



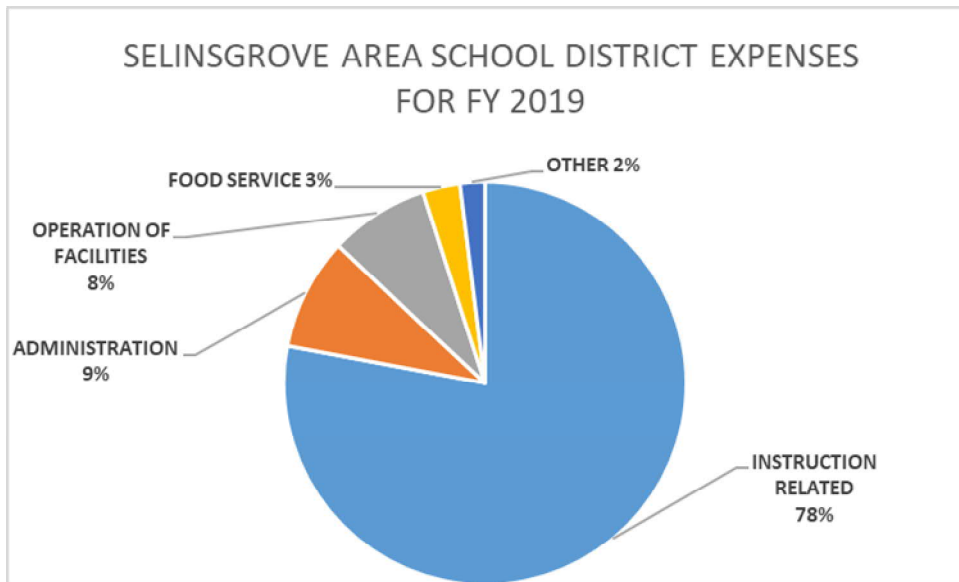
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2020



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020



The cost of all District activities was \$46,949,355. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$841,913).
- Federal and state governments subsidized certain programs with grants and contributions (\$10,069,199).
- Most of the District's costs (\$36,038,243), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with \$25,265,708 in taxes, \$10,772,535 of state aid based on the statewide education aid formula, investment earnings, other general revenues, and reserves.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2020

Table A-3
Selinsgrove Area School District
Net Cost of Governmental Activities

	Total Cost		Percentage	Net Cost		Percentage
	of Services		Change	of Services		Change
	2019	2020	2019-20	2019	2020	2019-20
Instruction	\$27,341,704	\$28,689,752	4.9%	\$20,961,646	\$22,271,348	6.2%
Instruction Student Support	4,661,169	4,927,576	5.7%	4,126,130	4,367,272	5.8%
Administration	4,192,835	4,399,936	4.9%	3,889,691	4,082,788	5.0%
Operation & Maint of facilities	3,493,159	3,745,796	7.2%	3,012,811	2,994,290	(0.6%)
Pupil Transportation	1,945,588	1,963,098	0.9%	997,020	1,006,970	1.0%
Student Activities	932,615	860,294	(7.8%)	744,699	661,504	(11.2%)
Community Services	38,765	30,191	(22.1%)	36,546	29,227	(20.0%)
Interest on Long term debt	1,062,042	1,064,867	0.3%	763,624	493,472	(35.4%)
Food Service	1,367,572	1,267,845	(7.3%)	(97,388)	131,372	(235.9%)
Total Expenses	\$45,035,449	\$46,949,355	4.2%	\$34,434,779	\$36,038,243	4.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$13,173,545 a net decrease of \$3,047,022 from the prior year. This reduction in fund balance was due to the district being in the second year of a three year \$12 million plus capital improvement plan. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2019 and 2020.

	Fund Balance	Fund Balance	Increase/
	6/30/2019	6/30/2020	(Decrease)
General	\$9,567,700	\$10,223,973	\$656,273
Capital Projects	5,141,717	1,697,312	(3,444,405)
Debt Service	1,511,150	1,252,260	(258,890)
Total Fund Balances	\$16,220,567	\$13,173,545	\$(3,047,022)

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2020

Revenues and net other financing sources/uses for the District's governmental funds were \$60,553,923 while Expenses were \$63,600,945 after netting out the bond refinancing transactions.

GENERAL FUND

The following schedule provides a summary of General Fund revenues:

	2019	2020	Increase/ (Decrease)	% Change
Local Sources	\$26,155,812	\$26,387,484	\$231,672	0.9%
State Sources	15,951,814	16,872,110	920,296	5.8%
Federal Sources	1,070,697	899,996	(170,701)	(15.9%)
Financing Sources:				
Bond/Lease Proceeds	0	0	0	
Transfer in from Other Funds	0	0	0	
Other Financing Sources	4,058	6,002	1,944	47.9%
Total Revenue	\$43,182,381	\$44,165,592	\$983,211	2.3%

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2020

Total General Fund revenue increased by \$983,211 or 2.3% from the previous year. Local revenue sources increased \$231,672 or 0.9% from the previous year mainly due to increases in real estate tax collections. State sources were up by \$920,296 or 5.8% due mostly to an increase in the retirement subsidy, debt service subsidy, basic ed subsidy, and safe schools grant. Federal sources decreased by \$170,701 or 15.9% because of decrease in Title I, Title II, and ACCESS revenue.

The following schedule presents a summary of General Fund expenditures and other financing uses:

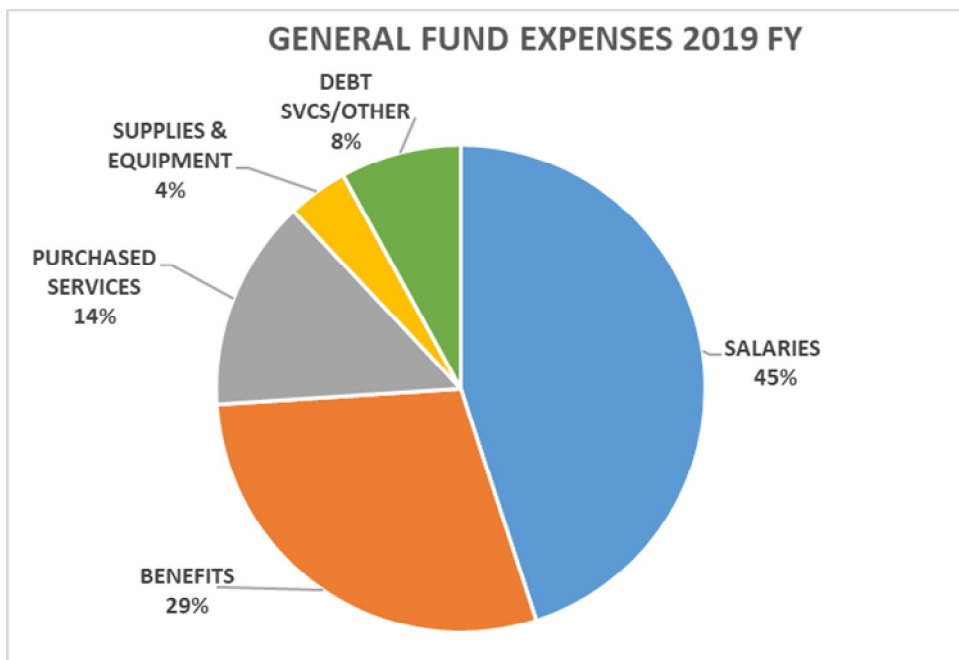
	2019	2020	Increase/ (Decrease)	% Change
Salaries	\$19,242,630	\$19,516,930	\$274,297	1.4%
Employee Benefits	12,678,316	13,046,448	368,132	2.9%
Purchased Services	6,052,832	5,836,214	(216,618)	(3.6%)
Supplies, Materials, Equipment	1,719,437	1,805,148	85,711	5.0%
Debt Service	0	0		-
Other Expenditures/Financing Uses	3,328,191	3,340,580	(23,611)	(0.7%)
Total Expenditures/Financing Uses	\$43,021,406	\$43,509,319	\$487,910	1.1%

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

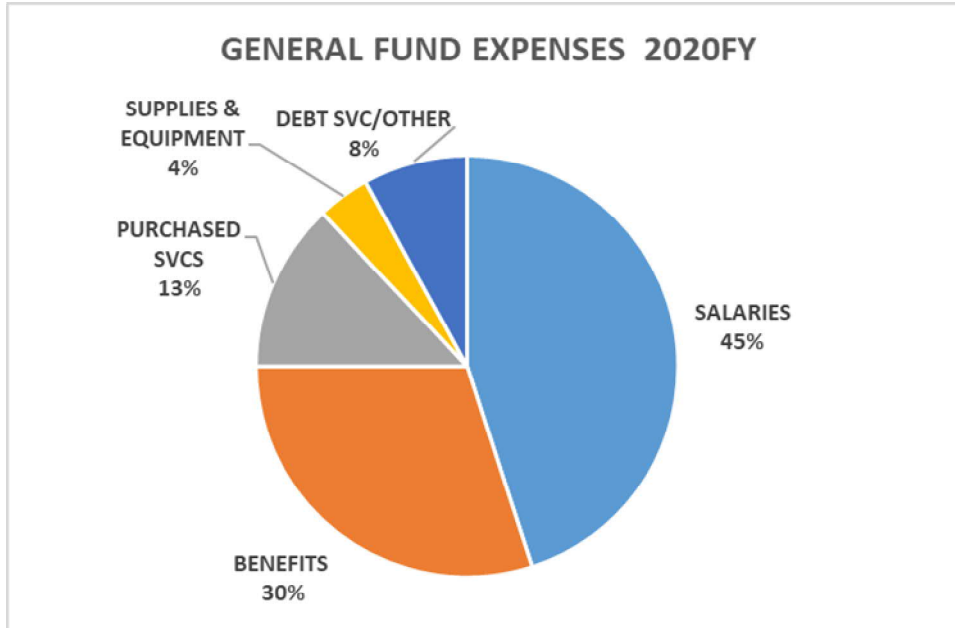
Total General Fund expenditures and financing uses increased \$487,910 or 1.1% from the previous year. Salary costs increased by \$274,297 or 1.4% from 2019-20. This was due to contractual increases in the teacher contract. Employee benefits increased by \$368,132 or 2.9% due to an increase in the employer retirement rate and medical insurance premiums. Purchased service costs decreased by \$216,618 or 3.6% mainly because of a decrease in special education services purchased from the Central Susquehanna Intermediate Unit. Supplies, materials, and equipment costs increased by a total of \$85,711 or 5.0% because of increase in grant expenses. Other Costs/Financing Uses were \$23,611 or 0.7% less than the prior year because of a smaller transfer out to the capital reserve fund.

In 2019-20, General Fund revenues and financing sources exceeded expenditures and financing uses by \$656,273. This increased the fund balance to \$10,223,973 at June 30, 2020. This number represents a healthy 22.7% of 2020-21 budgeted expenses.



SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020



General Fund Budgetary Highlights

Over the course of the year, the District reviews expenditures and makes appropriate adjustments to cover unexpected expenditures in the annual operating budget due to increases in appropriations of significant budgeted costs. While the District's original budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$713,472, actual results show that revenues and other financing sources exceeded expenditures and other financing uses by \$656,273. Overall expenses and financing uses came in \$1,527,668 or 3.4% under budget. This occurred mainly due to the overall school shutdown from the coronavirus which happened in March of 2020. Major variances occurred in salary costs, which were \$365,181 or 1.8% under budget. Employee benefits were \$238,322 or 1.8% under budget. Purchased services were \$532,464 or 8.4% under budget. Supplies and Equipment were \$158,917 or 8.0% under budget. Other expenses/financing uses were \$229,717 or 6.6% under budget. General Fund revenues and financing sources came in \$157,923 or 0.4% under budget. Local sources and other financing sources were \$310,579 or 1.2% under budget. State sources were \$225,966 or 1.4% over budget. Federal sources were \$73,310 or 7.5% under budget.

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

CAPITAL ASSETS

The District has invested \$89,743,498 in a broad range of capital assets, including land, school buildings, athletic facilities, library resources, computer and audio-visual equipment, and construction in progress (see table A-4). Accumulated depreciation expenses year to date June 30, 2020 totaled \$50,495,075. Current year investments in fixed assets included computers and related hardware, improvements to school buildings, and campus site improvements.

Table A-4
Selinsgrove Area School District
Capital Assets

	2019	2020	Increase/ (Decrease)	% Change
Land	\$501,269	\$501,269	\$0	0
Building and Building Improvements	62,469,424	66,502,897	4,033,473	6.5%
Furniture and Equipment	15,947,825	16,173,137	225,312	1.4%
Site Improvements	6,299,001	6,302,907	3,906	0.1%
Construction in Progress	699,916	263,288	(436,628)	(62.4%)
Less: Accumulated Depreciation	(47,426,603)	(50,495,075)	(3,068,472)	6.5%
Total	\$38,490,832	\$39,248,423	\$757,591	2.0%

LONG-TERM LIABILITIES

At year-end, the District had \$33,326,585 in debt outstanding, \$20,112,719 of accrued compensated absences and other post-employment benefits (OPEB), and \$64,326,000 of net pension liability a decrease of \$3,921,674 from the previous year (see table A-5).

Table A-5
Selinsgrove Area School District
Outstanding Long-term Liabilities

	2019	2020	Increase/ (Decrease)	% Change
General Obligation Bonds/Other Debt	\$35,561,805	\$33,326,585	\$(2,235,220)	(6.3%)
Compensated Absences/OPEB	20,099,764	20,112,719	12,955	0.1%
Net Pension Liability	65,767,000	64,326,000	(1,441,000)	(2.2)
Total	\$121,428,569	\$117,765,304	\$(3,663,265)	(8.4%)

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2020

FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

The District will face many financial challenges in the future.

Act 1, The Tax Payer Relief Act, will continue to limit the district's ability to raise real estate taxes in order to generate additional revenue to fund the budget. Increases are based upon an inflation factor that is provided by the Department of Education each year. Current projections show a 3%-4% increase over the next few years.

Another factor that will have a major impact is the projected employer contribution into the Pennsylvania State Employee Retirement System (PSERS). That rate is to increase from 34.29% of total payroll in 2019-20, to 34.51% in 2020-21, 34.94% in 2021-22. These high contribution rates will continue to have a major impact on future district budgets.

A final factor that could have an impact on the district's budget in the near term is the uncertainty in state and local revenue collections from the economic impacts of the coronavirus. A further slow-down in the economy could have a major effect on tax revenues.

The district maintains a five-year fiscal plan that deals with these factors by using a combination of revenue enhancements, expenditure reductions, and the use of reserves in order to balance future budgets.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Selingsgrove Area School District, 329 Seals Avenue., Selingsgrove, PA 17870.

BASIC FINANCIAL STATEMENTS

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 8,541,146	\$ 571,009	\$ 9,112,155
Restricted cash	1,903,014	-	1,903,014
Investments	2,762,459	-	2,762,459
Taxes receivable, net	3,533,973	-	3,533,973
Due from other governments	2,289,670	32,356	2,322,026
Internal balances	2,225	(2,225)	-
Other receivables	93,531	72,318	165,849
Inventories	27,476	-	27,476
Prepaid expenses	97,539	-	97,539
TOTAL CURRENT ASSETS	19,251,033	673,458	19,924,491
NON-CURRENT ASSETS			
Land	501,269	-	501,269
Building and building improvements (net of acc. dep.)	33,820,594	414,156	34,234,750
Furniture and equipment (net of acc. dep.)	1,966,659	131,359	2,098,018
Construction in progress	263,288	-	263,288
Site Improvements (net of acc. dep.)	2,151,098	-	2,151,098
TOTAL NON-CURRENT ASSETS	38,702,908	545,515	39,248,423
TOTAL ASSETS	\$ 57,953,941	\$ 1,218,973	\$ 59,172,914
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 8,883,502	\$ -	\$ 8,883,502
Other Postemployment Benefits	3,115,992	-	3,115,992
Deferred Charge on Refunding	794,582	-	794,582
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 12,794,076	\$ -	\$ 12,794,076
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 2,658,226	\$ 21,097	\$ 2,679,323
Accrued salaries and benefits	1,187,347	-	1,187,347
Payroll deductions and withholdings	182,594	-	182,594
Accrued interest	311,279	-	311,279
Current portion of bonds payable	2,775,000	-	2,775,000
Current portion of compensated absences	32,500	-	32,500
Unearned revenue	46,563	68,395	114,958
Other current liabilities	200,018	-	200,018
TOTAL CURRENT LIABILITIES	7,393,527	89,492	7,483,019
NON-CURRENT LIABILITIES			
Bonds payable, net	30,551,585	-	30,551,585
Long-term portion of compensated absences	836,248	6,002	842,250
Other post employment benefits	19,243,971	-	19,243,971
Net pension liability	64,326,000	-	64,326,000
TOTAL NON-CURRENT LIABILITIES	114,957,804	6,002	114,963,806
TOTAL LIABILITIES	\$ 122,351,331	\$ 95,494	\$ 122,446,825
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 4,351,000	\$ -	\$ 4,351,000
Other Postemployment Benefits	634,653	-	634,653
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 4,985,653	\$ -	\$ 4,985,653
NET POSITION			
Net investment in capital assets	\$ 8,349,201	\$ 545,515	\$ 8,894,716
Restricted	3,629,864	-	3,629,864
Unrestricted	(68,568,032)	577,964	(67,990,068)
TOTAL NET POSITION	\$ (56,588,967)	\$ 1,123,479	\$ (55,465,488)

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)/Revenue Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Instruction	\$ 28,689,752	\$ 135,780	\$ 6,282,624	\$ -	\$ (22,271,348)	\$ -	\$ (22,271,348)
Instructional Student Support	4,927,576	-	560,304	-	(4,367,272)	-	(4,367,272)
Administrative & Financial Support Svcs	4,399,936	-	317,148	-	(4,082,788)	-	(4,082,788)
Operation & Maintenance of Plant Svcs	3,745,796	96,134	655,372	-	(2,994,290)	-	(2,994,290)
Pupil Transportation	1,963,098	-	956,128	-	(1,006,970)	-	(1,006,970)
Student Activities	860,294	110,836	87,954	-	(661,504)	-	(661,504)
Community Services	30,191	-	964	-	(29,227)	-	(29,227)
Interest on Long Term Debt	1,064,867	-	-	571,395	(493,472)	-	(493,472)
Total Governmental Activities	45,681,510	342,750	8,860,494	571,395	(35,906,871)	-	(35,906,871)
Business-Type Activities:							
Food Service	1,267,845	499,163	637,310	-	-	(131,372)	(131,372)
Total	\$ 46,949,355	\$ 841,913	\$ 9,497,804	\$ 571,395	(35,906,871)	(131,372)	(36,038,243)
General Revenues							
Taxes:							
Property Taxes Levied for General Purposes, net					17,655,736	-	17,655,736
Other Taxes					7,609,972	-	7,609,972
Grants, Subsidies, & Contributions Not Restricted					8,736,625	-	8,736,625
Investment Earnings					329,222	8,982	338,204
Sale of Capital Assets					6,002	-	6,002
Total General Revenues					34,337,557	8,982	34,346,539
Change in Net Position					(1,569,314)	(122,390)	(1,691,704)
Net Position, Beginning					(55,019,653)	1,245,869	(53,773,784)
Net Position, Ending					\$ (56,588,967)	\$ 1,123,479	\$ (55,465,488)

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,541,146	\$ -	\$ -	\$ 8,541,146
Restricted cash	200,000	470,754	1,232,260	1,903,014
Investments	897,717	1,864,742	-	2,762,459
Taxes receivable, net	3,533,973	-	-	3,533,973
Due from other funds	546,206	62,899	20,000	629,105
Due from other governments	2,289,670	-	-	2,289,670
Other receivables	93,531	-	-	93,531
Inventories	27,476	-	-	27,476
Prepaid expenses	97,539	-	-	97,539
TOTAL ASSETS	<u>\$ 16,227,258</u>	<u>\$ 2,398,395</u>	<u>\$ 1,252,260</u>	<u>\$ 19,877,913</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ 82,899	\$ 543,981	\$ -	\$ 626,880
Accounts payable	2,501,124	157,102	-	2,658,226
Accrued salaries and benefits	1,187,347	-	-	1,187,347
Payroll deductions and withholdings	182,594	-	-	182,594
Unearned revenue	46,563	-	-	46,563
Other current liabilities	200,018	-	-	200,018
TOTAL LIABILITIES	<u>4,200,545</u>	<u>701,083</u>	<u>-</u>	<u>4,901,628</u>
 DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - taxes	<u>1,802,740</u>	<u>-</u>	<u>-</u>	<u>1,802,740</u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,802,740</u>	<u>-</u>	<u>-</u>	<u>1,802,740</u>
 FUND BALANCE				
Nonspendable				
Inventories	27,476	-	-	27,476
Prepaid expenses	97,539	-	-	97,539
Restricted				
Special education ACCESS	320,292	-	-	320,292
Capital projects	-	1,697,312	-	1,697,312
Debt service	-	-	1,252,260	1,252,260
Committed				
Retiree healthcare	2,570,317	-	-	2,570,317
Real estate tax appeals	200,000	-	-	200,000
PSERS	3,714,716	-	-	3,714,716
Educational resources	306,389	-	-	306,389
Assigned	108,951	-	-	108,951
Unassigned	<u>2,878,293</u>	<u>-</u>	<u>-</u>	<u>2,878,293</u>
TOTAL FUND BALANCE	<u>10,223,973</u>	<u>1,697,312</u>	<u>1,252,260</u>	<u>13,173,545</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 16,227,258</u>	<u>\$ 2,398,395</u>	<u>\$ 1,252,260</u>	<u>\$ 19,877,913</u>

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

GOVERNMENTAL FUNDS

JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,173,545

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	88,650,961	
Less: accumulated depreciation	<u>(49,948,053)</u>	
		38,702,908

Long-term liabilities and deferred inflows and outflows applicable to the District's governmental activities are applicable to future periods and, therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Long term liabilities and deferred inflows and outflows reported at June 30, 2020 are:

General obligation debt	(32,355,000)	
Less: Deferred charge on refunding	794,582	
Unamortized bond (premiums)/discounts	(971,585)	
Compensated absences	(868,748)	
Accrued interest on bonds	(311,279)	
Net pension liability	(64,326,000)	
Pensions - Deferred Outflows of Resources	8,883,502	
Pensions - Deferred Inflows of Resources	(4,351,000)	
Other postemployment benefits (OPEB)	(19,243,971)	
OPEB - Deferred Outflows of Resources	3,115,992	
OPEB - Deferred Inflows of Resources	<u>(634,653)</u>	
		(110,268,160)

Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue - taxes in the funds.

1,802,740

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (56,588,967)

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 26,387,484	\$ 58,678	\$ 29,573	\$ 26,475,735
State sources	16,872,110	-	-	16,872,110
Federal sources	899,996	-	-	899,996
TOTAL REVENUES	44,159,590	58,678	29,573	44,247,841
EXPENDITURES				
Instruction	25,591,889	-	-	25,591,889
Support services	13,817,768	-	265,635	14,083,403
Operation of non-instructional services	866,662	385	-	867,047
Capital outlay	-	3,635,698	-	3,635,698
Debt service				
Principal	-	-	18,475,000	18,475,000
Interest	-	-	947,908	947,908
TOTAL EXPENDITURES	40,276,319	3,636,083	19,688,543	63,600,945
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,883,271	(3,577,405)	(19,658,970)	(19,353,104)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds	-	-	15,295,000	15,295,000
Sale of fixed assets	6,002	-	-	6,002
Bond premiums on refunding	-	-	1,005,080	1,005,080
Transfers in	-	133,000	3,100,000	3,233,000
Transfers out	(3,233,000)	-	-	(3,233,000)
TOTAL OTHER FINANCING SOURCES (USES)	(3,226,998)	133,000	19,400,080	16,306,082
NET CHANGE IN FUND BALANCES	656,273	(3,444,405)	(258,890)	(3,047,022)
FUND BALANCES - BEGINNING	9,567,700	5,141,717	1,511,150	16,220,567
FUND BALANCES - ENDING	\$ 10,223,973	\$ 1,697,312	\$ 1,252,260	\$ 13,173,545

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (3,047,022)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and net book value of disposed capital assets in the current period.

Capital outlays	\$	4,049,632	
Depreciation expense		<u>(3,275,781)</u>	773,851

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned tax revenue from 6/30/19 to 6/30/20. (139,147)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting.

Compensated absences expense	\$	3,752	
Other postemployment benefits expense		(451,176)	
Amortization of debt premium/discount		60,300	
Amortization of deferred interest from refunding		(173,399)	
Pension benefit expense		(767,533)	
Accrued interest on long-term debt		<u>(3,860)</u>	(1,331,916)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Proceeds from issuance of refunding bonds		(15,295,000)
Bond premium		(1,005,080)
Principal payments		<u>18,475,000</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (1,569,314)

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2020

	<u>Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 571,009
Due from other governments	32,356
Inventories	<u>72,318</u>
TOTAL CURRENT ASSETS	675,683
NON-CURRENT ASSETS	
Building improvements (net)	414,156
Furniture and equipment (net)	<u>131,359</u>
TOTAL NON-CURRENT ASSETS	545,515
TOTAL ASSETS	\$ <u><u>1,221,198</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 21,097
Due to other funds	2,225
Unearned revenues	<u>68,395</u>
TOTAL CURRENT LIABILITIES	91,717
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	<u>6,002</u>
TOTAL NON-CURRENT LIABILITIES	6,002
TOTAL LIABILITIES	\$ <u><u>97,719</u></u>
NET POSITION	
Net investment in capital assets	\$ 545,515
Unrestricted	<u>577,964</u>
TOTAL NET POSITION	<u><u>1,123,479</u></u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>1,221,198</u></u>

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Food Service</u>
OPERATING REVENUES	
Food service revenues	\$ 426,192
Other operating revenues	72,971
TOTAL OPERATING REVENUES	<u>499,163</u>
 OPERATING EXPENSES	
Salaries	442,437
Employee benefits	241,479
Purchased services	50,139
Supplies	464,674
Depreciation	53,526
Other operating expenses	15,590
TOTAL OPERATING EXPENSES	<u>1,267,845</u>
 OPERATING LOSS	 (768,682)
 NON-OPERATING REVENUES	
Earnings on investments	8,982
State sources	115,161
Federal sources	522,149
TOTAL NON-OPERATING REVENUES	<u>646,292</u>
 CHANGE IN NET POSITION	 (122,390)
 NET POSITION - BEGINNING OF YEAR	 <u>1,245,869</u>
 NET POSITION - END OF YEAR	 <u>\$ 1,123,479</u>

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 449,501
Cash received from other operating revenue	72,355
Cash payments to employees for services	(575,435)
Cash payments to suppliers for goods and services	<u>(538,164)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(591,743)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	115,161
Federal sources	<u>522,149</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>637,310</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Outlay	<u>(37,266)</u>
NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(37,266)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>8,982</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,982</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	17,283
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>553,726</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 571,009</u>
 OPERATING LOSS	<u>\$ (768,682)</u>
 ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Changes in current assets and current liabilities	
Depreciation	53,526
Increase in accounts payable	14,512
Increase in inventories	(22,273)
Increase in due from other governments	(616)
Increase in unearned revenue	23,309
Increase in compensated absences	166
Decrease in due from other funds	106,090
Increase in due to other funds	<u>2,225</u>
TOTAL ADJUSTMENTS	<u>176,939</u>
 TOTAL CASH USED FOR OPERATING ACTIVITIES	<u>\$ (591,743)</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
Donated commodities	<u>\$ 86,665</u>

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2020

	Private Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	\$ 66,681	\$ 166,545	\$ 233,226
Accounts Receivable	97,109	-	97,109
TOTAL ASSETS	\$ <u>163,790</u>	\$ <u>166,545</u>	\$ <u>330,335</u>
 LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 166,545	\$ 166,545
 NET POSITION			
Restricted	<u>163,790</u>	<u>-</u>	<u>163,790</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>163,790</u>	\$ <u>166,545</u>	\$ <u>330,335</u>

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and contributions	\$ 86,469
Other additions	<u>1,160</u>
TOTAL ADDITIONS	<u>87,629</u>
 DEDUCTIONS	
Other deductions	10,735
Scholarships awarded	<u>6,600</u>
TOTAL DEDUCTIONS	<u>17,335</u>
 CHANGE IN NET POSITION	 <u>70,294</u>
 NET POSITION - BEGINNING OF YEAR	 <u>93,496</u>
 NET POSITION - END OF YEAR	 \$ <u><u>163,790</u></u>

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Selingsrove Area School District (the "School District") is governed by the Selingsrove Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture

The District participates in the SUN Area Technical Institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ATI; and the SUN ATI is maintained in a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocated expenditures is refundable by the SUN ATI to the member districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

Audited financial statements for the year ended June 30, 2020 for the SUN ATI are available at its business office.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Proprietary Funds

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The District's Fiduciary Funds are presented in the fund financial statements as a Private Purpose Trust Fund and an Agency Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the District, these funds are not incorporated into the government-wide financial statements. The District's fiduciary funds are presented on the accrual basis of accounting.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.
- The Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related costs of the District's general long-term debt.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Additionally, the District reports the following funds:

- The Private Purpose Trust Funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs.
- Agency Funds are custodial in nature and account for assets held by the District as an agent for various student activities.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

2. Restricted Assets

Restricted Assets represent revenues set-aside for liquidation of specific obligations, as detailed in Note 4.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

3. Investments

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. The District's investment in external investments pools are valued at amortized cost and the certificates of deposit are valued at fair value.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds." All receivables are shown net of an allowance for doubtful accounts.

5. Inventories

Inventories are recorded using the consumption method of accounting and consist of instructional materials, purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the financial statements, commodities received are recorded as deferred until consumed.

6. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: equipment - \$5,000, vehicles - \$10,000, and building improvements - \$25,000. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Intangible assets, such as computer software, are grouped with furniture and equipment in the financial statements and are being depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

SELINGSGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

7. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Site Improvements	20 years
Building and Building Improvements	10-30 years
Furniture, Equipment, and Vehicles	5-15 years

8. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Unearned Revenues (continued)

the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

11. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Assets, Liabilities, Net Position or Fund Balance (Continued)

12. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

13. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

14. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

15. Deferred Inflows/Outflows of Resources

The Statements of Net Position and Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

15. Deferred Inflows/Outflows of Resources (continued)

The District has four items that qualify for reporting in these categories: deferred outflows related to refunding bonds, deferred outflows and inflows related to pensions, deferred outflows and inflows related to other postemployment benefits, and unavailable tax revenue.

Deferred outflows on refunding bonds are the result of differences in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows and inflows of resources related to pensions are described further in Note 10 and deferred outflows and inflows of resources related to other postemployment benefits are described further in Note 11. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

16. PSERS Pension and OPEB

For purposes of measuring net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public School Employee's Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*". The adoption of this statement deferred the implementation of certain GASB statements.

I. Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The District is required to adopt the provisions of statement No. 84 for its fiscal year 2021 financial statements.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Pending Changes in Accounting Principles (continued)

In June 2017, the GASB issued Statement No. 87, "Leases". The District is required to adopt the provisions of Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The District is required to adopt the provisions of Statement No. 89 for its fiscal year 2022 financial statements.

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61". The District is required to adopt the provisions of Statement No. 90 for its fiscal year 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". The District is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, "Omnibus 2020." The District is required to adopt the provisions of Statement No. 92 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". The District is required to adopt the provisions of Statement No. 93 for its fiscal year 2021 financial statements, except for the requirements of paragraphs 11b, 13, and 14 which are effective for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The District is required to adopt the provisions of Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". The District is required to adopt the provisions of Statement No. 96 for its fiscal year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The District is required to adopt the remaining provisions of Statement No. 97 for its fiscal year 2021 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between funds accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, the District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$11,248,395 and its bank balances were \$11,292,022. Of these bank balances, \$4,738,414 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. At June 30, 2020, the District had investments classified as cash equivalents in money market holdings of \$5,803,608 of which \$3,183,548 was invested in external investment pools as described in more detail below.

At June 30, 2020, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$410,236 and the Pennsylvania Local Government Investment Trust (PLGIT) of \$2,773,312. PSDLAF and PLGIT were established to enable school districts and other local government agencies to pool funds for investments in instruments authorized by section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Participation in External Investment Pools. Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by PricewaterhouseCoppers LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at www.psdlaf.org.

As of June 30, 2020, the District had investments in certificate of deposits with a fair value of \$2,762,459 maturing in fiscal years 2021.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2020, the District's investment fair value measurements were as follows:

<u>Investment Type</u>	<u>Market</u>	<u>Level 2</u>
Certificates of Deposit	\$ 2,762,459	\$ 2,762,459
Total	\$ 2,762,459	\$ 2,762,459

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4: RESTRICTED CASH

Assets whose use is limited to a specific purpose have been classified as "restricted" in the balance sheet. Restricted assets are composed of the following:

Governmental Funds

Restricted Cash

Cash restricted for taxes held in escrow	\$ 200,000
Cash restricted for future capital projects	470,754
Cash restricted for debt service payments	1,232,260
Total Restricted Cash	\$ 1,903,014

NOTE 5: TAXES ASSESSED

The following is a listing of the taxes assessed along with their respective tax levy:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Tax Levied</u>
Real Estate – Snyder County	69.45 mills	\$18,313,120
Per Capita Tax – Act 511	\$5.00/person	62,000
Per Capita Tax – Section 679	\$5.00/person	62,000
Total Assessed Valuation		\$18,437,120

Real estate taxes are assessed on August 1, of each year and become due and payable on that date. Taxpayers are given a two percent discount if they pay their taxes by

September 30. All taxes levied on August 1, become delinquent on December 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded in January.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 5: TAXES ASSESSED (CONTINUED)

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. Delinquent taxes receivable at June 30, 2020 were \$743,938. An allowance has been established to recognize the uncollectible portion in the amount of \$15,704.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2020 as related to the District's governmental activities and business-type activities:

Governmental Activities:	
Commonwealth of Pennsylvania	
Federal Sources	\$ 465,813
State Sources	1,484,345
Central Susquehanna Intermediate Unit	335,662
County	3,850
Total	<u>\$ 2,289,670</u>
Business-Type Activities:	
Other Government	\$ 32,356
Total	<u>\$ 32,356</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 7: CAPITAL ASSETS

A summary of capital assets for governmental activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 501,269	\$ -	\$ -	\$ 501,269
Construction in Progress	699,916	3,491,855	3,928,483	263,288
Total capital assets, not being depreciated	1,201,185	3,491,855	3,928,483	764,557
Capital assets being depreciated				
Site Improvements	6,299,001	3,906	-	6,302,907
Buildings and Building Improvements	61,853,468	4,033,473	-	65,886,941
Furniture, Equipment, and Vehicles	15,508,510	448,881	260,835	15,696,556
Total capital assets being depreciated	83,660,979	4,486,260	260,835	87,886,404
Less accumulated depreciation:				
Site Improvements	3,843,607	308,202	-	4,151,809
Buildings and Building Improvements	29,826,502	2,239,845	-	32,066,347
Furniture, Equipment, and Vehicles	13,262,998	727,734	260,835	13,729,897
Total accumulated depreciation	46,933,107	3,275,781	260,835	49,948,053
Total capital assets being depreciated, net	36,727,872	1,210,479	-	37,938,351
Governmental activities, capital assets, net	<u>\$ 37,929,057</u>	<u>\$ 4,702,334</u>	<u>\$ 3,928,483</u>	<u>\$ 38,702,908</u>
Business-Type Activities:				
Capital assets being depreciated				
Building and Building Improvements	\$ 615,956	\$ -	\$ -	\$ 615,956
Furniture and Equipment	439,315	37,266	-	476,581
Total capital assets being depreciated	1,055,271	37,266	-	1,092,537
Less accumulated depreciation:				
Building and Building Improvements	187,104	22,302	-	209,406
Furniture and Equipment	306,392	31,224	-	337,616
Total accumulated depreciation	493,496	53,526	-	547,022
Total capital assets being depreciated, net	561,775	(16,260)	-	545,515
Business-type activities, capital assets, net	<u>\$ 561,775</u>	<u>\$ (16,260)</u>	<u>\$ -</u>	<u>\$ 545,515</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government Activities:	
Instruction	\$ 2,081,457
Instructional Student Support	343,635
Administrative and Financial Support Service	282,157
Operation and Maintenance of Plan Service	282,909
Pupil Transportation	215,135
Student Activities	68,217
Community Services	2,271
Total Depreciation Expense	<u>\$ 3,275,781</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2020, the District's long-term debt consisted of the following:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 35,535,000	\$ 15,295,000	\$ 18,475,000	\$ 32,355,000	\$ 2,775,000
Less: Bond Premium/(Discount)	26,805	1,005,080	60,300	971,585	-
Compensated Absences	872,500	-	3,752	868,748	32,500
Net Pension Liability	65,767,000	-	1,441,000	64,326,000	-
Other Post Employment Benefits	19,227,264	16,707	-	19,243,971	-
Total Long Term Obligations	<u>\$ 121,428,569</u>	<u>\$ 16,316,787</u>	<u>\$ 19,980,052</u>	<u>\$ 117,765,304</u>	<u>\$ 2,807,500</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 5,836</u>	<u>\$ 166</u>	<u>\$ -</u>	<u>\$ 6,002</u>	<u>\$ -</u>

The net pension liability and other post employment benefits liability are paid from the general fund.

Pertinent information regarding long-term debt obligations outstanding is presented below:

General Obligation Debt:	Purpose	Amounts Issued	Amounts Outstanding
Series of 2016	In 2016, the District issued General Obligation Bonds Series of 2016 for the purpose of currently refunding a portion of the General Obligation Bonds Series of 2011. The bonds mature serially through 2024 with interest rates of 2.00% to 3.00%.	\$ 9,710,000	\$ 7,700,000
Series of 2018	In 2018, the District issued General Obligation Bonds Series of 2018 for the purpose of financing capital projects. The bonds mature serially through 2030 with interest rates of 2.375% to 4.000%.	9,995,000	9,960,000
Series A of 2019	In 2019, the District issued General Obligation Bonds Series A of 2019 for the purpose of currently refunding the General Obligation Bonds Series A of 2012 and paying the costs and expenses of issuing the Series A Bonds. The bonds mature serially through 2025 with interest rates of 1.20% to 1.45%.	2,295,000	2,105,000
Series B of 2019	In 2019, the District issued General Obligation Bonds Series B of 2019 for the purpose of currently refunding the General Obligation Bonds Series B of 2012 and paying the costs and expenses of issuing the Series B Bonds of 2019. The bonds mature serially through 2027 with interest rates of 1.20% to 1.63%.	5,090,000	4,980,000

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

General Obligation Debt:	Purpose	Amounts Issued	Amounts Outstanding
Series C of 2019	In 2019, the District issued General Obligation Bonds Series C of 2019 for the purpose of currently refunding all of the General Obligation Bonds Series of 2013 and paying the costs and expenses of issuing the Series C Bonds. The bonds mature serially through 2028 with interest rates of 1.30% to 1.60%.	\$ 7,910,000	\$ 7,610,000
Total			\$ 32,355,000

The following summarized the District's estimated future debt service requirements on these bonds as of June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,775,000	\$ 931,338	\$ 3,706,338
2022	2,855,000	847,288	3,702,288
2023	2,915,000	761,538	3,676,538
2024	2,945,000	692,938	3,637,938
2025	3,615,000	633,300	4,248,300
2026-2030	17,250,000	1,394,500	18,644,500
	\$ 32,355,000	\$ 5,260,902	\$ 37,615,902

In September 2019, the District issued General Obligation Bond Series A and B of 2019, in the amount of \$7,385,000 and in October 2019 the District issued General Obligation Bonds Series C of 2019 in the amount of \$7,910,000. The proceeds of these bonds were used to currently refund the General Obligation Bonds Series of 2012A, 2012B and 2013. The refunding transaction resulted in a cash flow savings of \$405,218 for the District and an economic gain of \$346,574.

NOTE 9: COMPENSATED ABSENCES

The changes in the District's compensated absences in 2020 are summarized as follows:

	Governmental Activities	Business- Type Activities	Total
Balance, July 1, 2019	\$ 872,500	\$ 5,836	\$ 878,336
Additions/(Reductions)	(3,752)	166	(3,586)
Balance, June 30, 2020	\$ 868,748	\$ 6,002	\$ 874,750

Compensated absences are paid from the General Fund and Food Service Fund.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 10: PENSION BENEFITS

General Information about the Pension Plan

Plan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State

Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (continued)

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$6,452,502 for the year ended June 30, 2020.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Member Contribution (Continued)

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$64,326,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1375 percent, which was an increase of 0.0005 from its proportion measured as of June 30, 2019.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 10: PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$7,217,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 184,000
Changes in assumptions	615,000	-
Changes in proportion	1,462,000	2,035,000
Difference between expected and actual experience	354,000	2,132,000
Contributions subsequent to the measurement date	6,452,502	-
Total	\$ 8,883,502	\$ 4,351,000

\$6.453 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 249,000
2022	(1,695,000)
2023	(588,000)
2024	114,000
Total	\$ (1,920,000)

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions used in the Total Pension Liability beginning June 30, 2019:

- Investment rate of return was 7.25%
- The inflation assumption was 2.75%
- Salary growth changed from an effective range of 5.00%, which was comprised of inflation 2.75%, real wage growth and for merit or seniority increases of 2.25%
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 10: PENSION BENEFITS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 10: PENSION BENEFITS (CONTINUED)

Sensitivity of the School District's proportionate share of the net pension liability to change in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 80,125,000	\$ 64,326,000	\$ 50,948,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSERS Comprehensive Annual Financial Report which can be found on the system's website at www.psers.pa.gov.

At June 30, 2020, the District reported a payable of \$1,508,780 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Act 5 of 2017

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

District Specific Plan

Plan Description

Plan Administration. The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Plan Membership. As of June 30, 2020, the Plan's membership consisted of the following:

Active Participants	245
Retired Participants	51
Total	296

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Benefits Provided. The Plan provides healthcare benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer and vary depending on employee classification and years of service of the retiree. The District covers the full medical and prescription coverage for a retired assistant superintendent and eligibility dependents, but requires the retiree to contribute 4% of the plan premium, which may be reduced by 1% for every 40 unused sick days accumulated. The District pays the full premium for medical and prescription drugs for teachers and administrators who retired prior to 7/1/16 with at least 10 years of district service who retired before 9/1/2000 and requires participants who retire after 9/1/2000 to pay a supplemental amount of \$100 per /month. Administrators retiring after 7/1/16 through PSERS with at least 8 years of district service are provided with medical and prescription drug coverage with a premium share, which can be reduced by 1% for every 40 unused sick days accumulated, as follows based on Single, H/W, and Family, respectively: retired 2016-2017 (6.5%, 10%, and 23%); retired 2017-2018 (4.5%, 8%, and 23%); retired 2018-2019 (6.5%, 10%, and 23%); and retiring after 2019 (10%, 13.5%, and 23%).

Teachers retiring after 7/1/16 are provided with medical and prescription drug coverage with a premium share, which can be reduced by 1% for every 40 unused sick days accumulated, as follows:

Retirement	Eligibility	Premium Share
2016-2017	Age 52, 15 years district service OR Age 60 with 10 years district service	Age 52: 6.5% single, 40% others Age 53: 6.5% single, 35% others Age 54: 6.5% single, 30% others Age 55+: 6.5% single, 23% others
2017-2018	Age 53, 15 years of district service OR Age 60 with 10 years of district service	Age 53: 4.5% single, 35% others Age 54: 4.5% single, 30% others Age 55+: 4.5% single, 23% others
2018-2019	Age 54, 15 years of district service OR Age 60 with 10 years of district service	Age 54: 4.5% single, 30% others Age 55+: 4.5% single, 23% others
After 2019	Age 55, 15 years of district service OR Age 60 with 10 years of district service	Age 55+: 10% single, 23% others

Classified employees who have 30 years of PSERS service or reach PSERS superannuation retirements are entitled to receive medical and prescription drug coverage for a premium. The School Board of Directors has the authority to periodically negotiate the benefit terms established in the bargaining agreements.

Contributions. The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Total OPEB Liability

The District's total OPEB liability of \$16,319,971 was measured as of July 1, 2019 and was rolled forward using the actuarial assumptions from the actuarial valuation date of July 1, 2018, subject to adjustments.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.50% average, including inflation
Discount Rate	3.36%
Healthcare Cost Trend Rates	6.00% for 2018, decreasing to an ultimate rate of 3.8% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

The actuarial assumptions used in the July 1, 2018 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2020 was as follows:

	<u>Total OPEB Liability</u>
Beginning Balance	\$ 16,371,264
Service Cost	860,240
Interest	497,960
Changes in Assumptions	(446,894)
Benefit Payments	<u>(962,599)</u>
Net Changes	(51,293)
Ending Balance	<u>\$ 16,319,971</u>

Changes in assumptions reflect a change in the discount rate from 2.98% to 3.36%.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.5%) or 1-percentage higher (6.5%) than the current discount rate:

	1% Decrease 4.5%	Current trend rate 5.5%	1% Increase 6.5%
District's total OPEB liability	\$ 14,520,756	\$ 16,319,971	\$ 18,440,114

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.36%) or 1-percentage higher (4.36%) than the current discount rate:

	1% Decrease 2.36%	Current discount rate 3.36%	1% Increase 4.36%
District's total OPEB liability	\$ 17,521,683	\$ 16,319,971	\$ 15,200,758

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,501,620. At June 30, 2019 the District reported deferred outflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 192,203	\$ 409,653
Difference between expected and actual experience	1,576,153	-
Contributions subsequent to the measurement date	1,007,600	-
Total	\$ 2,775,956	\$ 409,653

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Amounts, other than contributions subsequent to the measurement date, reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the total OPEB liability for the year ended June 30, 2021. Other deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ 143,420
2022	143,420
2023	143,420
2024	143,420
2025	143,420
Thereafter	641,603
Total	<u>\$ 1,358,703</u>

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lessor of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Benefits Provided (Continued)

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2019 was 0.83% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$162,036 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2020, the District reported a liability of \$2,924,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2020, the District's proportion was 0.1375 percent, which was an increase of 0.0005 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$120,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 5,000	\$ -
Difference between expected and actual experience	16,000	-
Changes in assumptions	97,000	87,000
Changes in proportion	60,000	138,000
Contributions subsequent to the measurement date	162,036	-
Total	\$ 340,036	\$ 225,000

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

\$162,036 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ (23,000)
2022	(22,000)
2023	(23,000)
2024	(24,000)
2025	32,000
Thereafter	13,000
Total	<u>\$ (47,000)</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of the June 30, 2018 actuarial valuation to June 30, 2019 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate (changed from 2.98% in prior year).
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

SELINGSGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Actuarial Assumptions (Continued)

- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

A recent actuarial experience study was not performed.

Changes in assumptions reflect a change in the discount rate from 2.98% to 2.79%

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease 4% to 7%	Current discount rate 5% to 8%	1% Increase 6% to 9%
District's proportionate share of the net OPEB liability	\$ 2,924,000	\$ 2,924,000	\$ 2,925,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.79 percent) or higher (3.79 percent) than the current discount rate:

	1% Decrease 1.79%	Current discount rate 2.79%	1% Increase 3.79%
District's proportionate share of net OPEB liability	\$ 3,332,000	\$ 2,924,000	\$ 2,587,000

OPEB plan fiduciary net position.

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

At June 30, 2020 the District reported a payable of \$37,889 for the outstanding amount of contributions to the OPEB plan.

SELINGSGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage.

NOTE 13: COMMITMENTS AND CONTINGENCIES

The District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the District.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The District has contractual obligations with various contractors for paving improvement of approximately \$164,963 as of June 30, 2020. The District expects to finance these outstanding commitments from the capital projects fund.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2020 are as follows:

	Interfund Receivable	Interfund Payable	Transfer In	Transfer Out
General Fund	\$ 546,206	\$ 82,899	\$ -	\$ 3,233,000
Capital Projects Fund	62,899	543,981	133,000	-
Debt Service Fund	20,000	-	3,100,000	-
Food Service Fund	-	2,225	-	-
Total	<u>\$ 629,105</u>	<u>\$ 629,105</u>	<u>\$ 3,233,000</u>	<u>\$ 3,233,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

Transfers from the general fund are used to reimburse other funds for debt service payments and finance additional capital outlay.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 15: SUBSEQUENT EVENTS

During March 2020, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the District's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the District's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the District having to curtail or eliminate some services.

REQUIRED SUPPLEMENTAL INFORMATION

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 26,704,065	\$ 26,704,065	\$ 26,387,484	\$ (316,581)
State sources	16,646,144	16,646,144	16,872,110	225,966
Federal sources	973,306	973,306	899,996	(73,310)
TOTAL REVENUES	<u>44,323,515</u>	<u>44,323,515</u>	<u>44,159,590</u>	<u>(163,925)</u>
EXPENDITURES				
Instruction:				
Regular programs	18,778,617	18,511,162	18,065,219	445,943
Special programs	4,838,963	4,996,690	4,972,951	23,739
Vocational programs	2,572,593	2,572,593	2,495,310	77,283
Other instructional programs	416,043	261,116	56,952	204,164
Nonpublic school programs	8,192	8,192	1,457	6,735
Total Instruction	<u>26,614,408</u>	<u>26,349,753</u>	<u>25,591,889</u>	<u>757,864</u>
Support Services:				
Pupil personnel services	2,299,322	2,299,622	2,266,365	33,257
Instructional staff services	1,970,794	1,975,594	1,958,693	16,901
Administrative services	2,486,900	2,587,651	2,502,920	84,731
Pupil health	469,217	477,772	473,866	3,906
Business services	492,627	500,377	492,388	7,989
Operation and maintenance of plant services	3,289,603	3,683,603	3,478,416	205,187
Student transportation services	1,889,674	1,891,395	1,815,443	75,952
Central and other support services	970,388	838,288	829,677	8,611
Total Support Services	<u>13,868,525</u>	<u>14,254,302</u>	<u>13,817,768</u>	<u>436,534</u>
Operation of non-instructional services:				
Student activities	938,829	938,829	838,742	100,087
Community services	37,388	37,388	27,920	9,468
Debt service	121,122	-	-	-
Total Operation of non-instructional service	<u>1,097,339</u>	<u>976,217</u>	<u>866,662</u>	<u>109,555</u>
TOTAL EXPENDITURES	<u>41,580,272</u>	<u>41,580,272</u>	<u>40,276,319</u>	<u>1,303,953</u>
EXCESS REVENUES OVER EXPENDITURES	<u>2,743,243</u>	<u>2,743,243</u>	<u>3,883,271</u>	<u>1,140,028</u>
OTHER FINANCING USES				
Interfund transfers	(3,233,000)	(3,233,000)	(3,233,000)	-
Budgetary reserve	(223,715)	(223,715)	-	223,715
Proceeds from sale of fixed assets	-	-	6,002	6,002
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,456,715)</u>	<u>(3,456,715)</u>	<u>(3,226,998)</u>	<u>229,717</u>
NET CHANGE IN FUND BALANCES	<u>(713,472)</u>	<u>(713,472)</u>	<u>656,273</u>	<u>1,369,745</u>
FUND BALANCE - BEGINNING OF YEAR	<u>9,529,936</u>	<u>9,529,936</u>	<u>9,567,700</u>	<u>37,764</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,816,464</u>	<u>\$ 8,816,464</u>	<u>\$ 10,223,973</u>	<u>\$ 1,407,509</u>

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 860,240	\$ 886,559	\$ 887,906
Interest	497,960	488,691	374,868
Changes of benefit terms	-	(1,271,961)	-
Differences between expected and actual experience	-	1,891,383	-
Changes of assumptions or other inputs	(446,894)	47,047	210,373
Benefit payments	<u>(962,599)</u>	<u>(866,322)</u>	<u>(969,467)</u>
Net change in total OPEB liability	(51,293)	1,175,397	503,680
Total OPEB liability - beginning	16,371,264	15,195,867	14,692,187
Total OPEB liability - ending	<u>\$ 16,319,971</u>	<u>\$ 16,371,264</u>	<u>\$ 15,195,867</u>
Covered payroll	\$ 17,387,037	\$ 17,387,037	\$ 17,071,966
District's total OPEB liability as a percentage of covered payroll	93.86%	94.16%	89.01%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Benefit changes:

Effective 7/1/18: Teachers and administrators will contribute the greater of the PSERS Supplement or a premium share ranging from 6.5% to 40% based on coverage selected.

Changes in assumptions:

Effective 7/1/18: The discount rate changed from 3.13% to 2.98% and trend assumptions were updated.

Effective 7/1/19: The discount rate changed from 2.98% to 3.36%.

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN
 JUNE 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.1449%	0.1337%	0.1370%	0.1375%
District's proportionate share of the net OPEB liability	\$ 3,121,000	\$ 2,724,000	\$ 2,856,000	\$ 2,924,000
District's covered payroll	\$ 18,762,341	\$ 17,800,896	\$ 18,454,769	\$ 18,957,745
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17%	15%	15%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	5%	6%	6%	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SELINGROVE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually determined contribution	\$ 148,000	\$ 153,286	\$ 157,192	\$ 162,036
Contributions in relation to the contractually determined contribution	<u>148,000</u>	<u>153,286</u>	<u>157,192</u>	<u>162,036</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,800,896	\$ 18,454,769	\$ 18,957,745	\$ 19,327,984
Contributions as a percentage of covered payroll	0.8%	0.8%	0.8%	0.8%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Selinsgrove Area School District

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

Required Supplemental Information

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability	0.1313%	0.1390%	0.1449%	0.1337%	0.1370%	0.1375%
District's proportionate share of the net pension liability	\$ 53,474,000	\$ 60,208,000	\$ 71,808,000	\$ 66,032,000	\$ 65,767,000	\$ 64,326,000
District's covered payroll	\$ 17,242,979	\$ 17,886,984	\$ 18,762,341	\$ 17,800,896	\$ 18,454,769	\$ 18,957,745
District's proportionate share of the net pension liability as a percentage of its covered payroll	310%	337%	383%	371%	356%	339%
Plan fiduciary net position as a percentage of the total pension liability	57%	54%	50%	52%	54%	56%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only six years are present in the above schedule.

Selinsgrove Area School District

Schedule of District Contributions - Pension Plan - Last 10 Years

Required Supplemental Information

Fiscal Year End	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 3,622,331	\$ 4,645,586	\$ 5,160,732	\$ 5,821,450	\$ 6,174,035	\$ 6,452,502
Contributions in relation to the contractually required contribution	3,622,331	4,645,586	5,160,732	5,821,450	6,174,035	6,452,502
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,886,984	\$ 18,762,341	\$ 17,800,896	\$ 18,454,769	\$ 18,957,745	\$ 19,327,984
Contributions as a percentage of covered payroll	20%	25%	29%	32%	33%	33%

The District adopted GASB 68 on a prospective basis in 2015; therefore, only six years are present in the above schedule.

The covered payroll has been adjusted to reflect adjustments processed by PSERS

OTHER SUPPLEMENTAL INFORMATION

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

THE ECONOMY

The trend in total employment rates in Snyder County, compared with the same rates for Pennsylvania and the United States, since 2002, is shown as follows:

<u>Year</u>	<u>Snyder County</u>			<u>Unemployment PA</u>	<u>U.S.</u>
	<u>Civilian Labor Force</u>	<u>Total Employment</u>	<u>Percent</u>		
2002	19,500	18,400	5.5	5.5	5.7
2003	18,500	17,800	4.0	4.7	5.4
2004	20,000	19,000	4.8	5.7	5.4
2005	19,900	19,000	4.4	4.7	4.9
2006	20,400	19,500	4.4	4.6	4.5
2007	19,900	18,900	5.0	4.3	4.8
2008	20,000	18,400	8.1	6.4	7.1
2009	19,500	17,700	9.1	8.5	9.7
2010	18,900	17,400	8.1	8.1	9.1
2011	19,200	17,800	7.5	7.2	8.3
2012	20,000	18,400	8.0	7.9	7.6
2013	19,500	18,300	6.3	6.2	6.5
2014	19,000	18,100	4.5	4.6	5.4
2015	20,400	19,600	3.9	4.1	4.8
2016	20,200	19,200	5.0	5.7	5.0
2017	20,500	19,600	4.4	4.8	4.2
2018	20,600	19,800	3.9	4.1	3.7
2019	20,500	19,400	5.4	4.2	3.5
2020 (Oct)	19,900	18,900	5.1	7.1	6.9

Source: Center for Workforce Information and Analysis, PA Department of Labor and Industry

Largest Employers in or near the School District

<u>Company</u>	<u>Business</u>
PA State Government	Government
Susquehanna University	Educational Services
National Beef Packaging Company	Wholesale Trade
Selinsgrove Area School District	Educational Services
Conestoga Wood Specialties	Hardwood lumber
Mid-West School District	Public Education
Wal-Mart Association, Inc.	Retail Trade
Professional Building Systems	Manufacturer of modular homes
United Cerebral Palsy of Central PA	Non Profit
Family Practice Center	Healthcare

Source: School District Officials

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

TAX REVENUES OF THE SCHOOL DISTRICT

Market and Assessed Values of Real Property

Market values of real property in the School District, as reported by the Pennsylvania State Tax Equalization Board, are listed below.

<u>Year</u>	<u>Current Market Value</u>	<u>Assessed Valuation</u>	<u>Ratio</u>
2002	\$772,510,400	\$170,880,670	22.12
2003	784,330,200	172,936,100	22.05
2004	830,670,100	174,823,860	21.05
2005	851,404,400	178,642,920	20.98
2006	919,625,200	181,930,890	19.78
2007	969,490,800	243,204,250	25.09
2008	1,112,979,600	246,650,960	22.16
2009	1,110,100,900	256,296,540	23.09
2010	1,167,883,179	259,335,440	22.21
2011	1,180,839,514	256,938,410	21.79
2012	1,249,532,368	258,023,600	20.65
2013	1,247,008,404	257,071,270	20.62
2014	1,316,720,980	259,669,020	19.72
2015	1,327,129,140	261,102,420	19.67
2016	1,386,295,597	264,045,550	19.05
2017	1,389,771,821	265,007,830	19.07
2018	1,392,136,684	264,505,970	19.00
2019	1,446,739,464	264,072,450	18.25

Source: Pennsylvania State Tax Equalization Board and School District Officials

Ten Largest Taxpayers in the School District

The ten largest real estate taxpayers in the School District and their 2019-20 assessed valuation of their real estate are as follows:

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Value</u>
Bre Rc Monroe Monroe MP PA LP	Retail	\$6,968,780
Susquehanna Valley Mall, LLC	Retail	5,962,090
Selingsgrove Re Owner, LLC	Nursing home/apts	1,864,890
Weis Markets	Retail	1,812,200
Target Corporation	Retail	1,710,000
Wal-Mart Real Estate Business	Retail	1,707,200
Lowe's Home Centers Inc.	Retail	1,176,890
Orchard Hills Shopping	Retail	1,010,950
National Beef Packing Company	Industrial	989,930
HCPI Trust	Asst. Living homes	<u>849,770</u>
TOTAL		\$24,052,700

Source: Snyder County Assessment Office

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Local Tax Rates for the 2019-20 Fiscal Year

Real Estate Millage Rates (Based on 100% Assessment)	
Selingsgrove Area School District.....	69.00
Snyder County	21.8125
Per Capita	\$10
Real Estate Transfer	
Selingsgrove Area School District.....	0.5%
Municipalities	0.5%
Earned Income Tax	
Selingsgrove Area School District.....	1.6%
Municipalities	0.5%

Source: School District Officials

Tax Collection Record

The School District mails tax notices to taxpayers on or about August 1 of each year. The tax collection process of the School District allows taxpayers remitting in full prior to September 30 of each year a 2% discount on their tax obligations. Remittances between October 1 and November 30 are paid at par and taxpayers remitting after December 1st pay a 10% penalty. After December 31, all unpaid real estate taxes are turned over to Snyder County for collection.

The School District's real estate tax collection record is shown below:

<u>Fiscal Year</u>	<u>Total Gross Billing</u>	<u>Current Year Collections</u>	<u>Current Year Collections as a Percent of Total Gross Billing</u>	<u>Current Plus Delinquent Collections</u>	<u>Collections as Percent of Total Gross Billing</u>
2002-03	\$8,414,950	\$7,991,310	95.0%	\$8,420,386	100.1%
2003-04	9,513,739	8,960,196	94.2	9,483,190	99.7
2004-05	10,278,805	9,670,973	94.1	10,138,039	98.6
2005-06	10,959,233	10,362,893	94.6	10,922,729	99.7
2006-07	11,461,646	10,815,193	94.4	11,476,031	100.1
2007-08	12,219,242	11,587,955	94.8	12,152,992	99.5
2008-09	13,033,037	12,570,521	96.5	13,107,716	100.6
2009-10	14,067,527	13,504,081	96.0	14,023,746	99.7
2010-11	14,828,800	13,885,594	93.7	14,524,669	98.0
2011-12	15,213,011	14,578,625	95.9	15,068,444	99.1
2012-13	15,553,243	14,966,263	96.3	15,526,439	99.9
2013-14	15,890,660	15,184,637	95.6	15,846,111	99.8
2014-15	16,465,923	15,702,261	95.4	16,267,190	98.8
2015-16	17,016,525	16,188,072	95.2	16,801,544	98.8
2016-17	17,158,503	16,431,921	95.8	17,062,470	99.5
2017-18	17,430,517	16,738,132	96.1	17,301,691	99.3
2018-19	17,788,019	16,988,353	95.6	17,597,861	98.9
2019-20	18,212,043	17,437,400	95.7	18,073,388	99.2

Note: Beginning in Fiscal year 2008-09 amounts include property tax relief money from state gambling monies.

Source: School District Officials

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020

SCHOOL DISTRICT FACILITIES AND ENROLLMENTS

The School District presently operates two elementary schools, a middle school and a high school, all as described on the following table. Students in grades 10-12 may attend the SUN Tech, Snyder County Career Center. The School District currently owns the former Jackson-Penn Elementary building which is leased to a private company.

<u>School Facility</u>	<u>Original Construction Date</u>	<u>Renovations or Additions</u>	<u>Grades Served</u>	<u>Student Capacity</u>	<u>2019-20 Enrollment</u>
Elementary Schools:					
Selinsgrove Area Elementary	1962	2008	K-2	800	579
Selinsgrove Area Intermediate	1997	none	3-5	925	539
Middle School:					
Selinsgrove Area Middle School	1974	2015/2019	6-8	836	656
Secondary School:					
Selinsgrove Area High School	1936	1942/1954/1968 1969/1983/2008 2019	9-12	1,274	<u>859</u>
Total Enrollment:					2,633

Source: School District Officials

Pupil Enrollment Historical and Projected

The following Table presents recent trends in school enrollment and projections of enrollment for over the next two years, as prepared by School District officials.

<u>School Year</u>	<u>Total</u>
2002-03	2,920
2003-04	2,890
2004-05	2,850
2005-06	2,780
2006-07	2,762
2007-08	2,704
2008-09	2,726
2009-10	2,677
2010-11	2,672
2011-12	2,764
2012-13	2,753
2013-14	2,709
2014-15	2,674
2015-16	2,717
2016-17	2,674
2017-18	2,624
2018-19	2,619
2019-20	2,633
2020-21 (1)	2,627
2021-22 (1)	2,630

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

School District Employment

Type of Personnel	Number
Administrators	12.5
Professional/Instructional	183
Classified/ Support Staff	129
Total	324.5

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2019	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2020	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education:											
NCLB Title I	(I)	84.010	013-190377	696,136	7-1-18 / 9-30-20	\$ 253,094	\$ 168,460	\$ 84,634	\$ 84,634	\$ -	\$ -
NCLB Title I	(I)	84.010	013-200377	711,008	7-1-19 / 9-30-21	474,030	-	611,008	611,008	136,978	-
Total NCLB Title I						727,124	168,460	695,642	695,642	136,978	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-190377	141,615	7-1-18 / 9-30-20	20,781	20,781	-	-	-	-
NCLB Title II Part A Improving Teacher Quality		84.367	013-200377	105,640	7-1-19 / 9-30-21	84,536	-	105,640	105,640	21,104	-
Total NCLB Title II						105,317	20,781	105,640	105,640	21,104	-
Perkins - Secondary	(I)	84.048	380-190093	27,255	7-1-18 / 6-30-19	2,478	2,478	-	-	-	-
Perkins - Secondary	(I)	84.048	380-200093	30,049	7-1-19 / 6-30-20	27,317	-	30,049	30,049	2,732	-
Total Perkins - Secondary						29,795	2,478	30,049	30,049	2,732	-
NCBL Title IV	(I)	84.424	144-190377	47,720	7-1-18 / 9-30-20	27,269	24,771	5,906	5,906	3,408	-
NCBL Title IV	(I)	84.424	144-200377	52,102	7-1-19 / 9-30-21	31,261	-	12,560	12,560	(18,701)	-
Total NCLB Title IV						58,530	24,771	18,466	18,466	(15,293)	-
Total State Department of Education				1,811,525		920,766	216,490	849,797	849,797	145,521	-
Passed Through Central Susquehanna Intermediate Unit											
Special Education-Grants to States:											
IDEA B	(I)	84.027	N/A	322,027	7-1-18 / 6-30-19	322,027	322,027	-	-	-	-
IDEA B	(I)	84.027	N/A	330,312	7-1-19 / 6-30-20	-	-	330,312	330,312	330,312	-
IDEA 619	(I)	84.173	N/A	9,520	7-1-18 / 6-30-19	4,758	4,758	-	-	-	-
IDEA 619	(I)	84.173	N/A	5,350	7-1-19 / 6-30-20	-	-	5,350	5,350	5,350	-
Total Special Education Cluster						326,785	326,785	335,662	335,662	335,662	-
Total Cental Susquehanna Intermediate Unit				667,209		326,785	326,785	335,662	335,662	335,662	-
TOTAL DEPARTMENT OF EDUCATION				2,478,734		1,247,551	543,275	1,185,459	1,185,459	481,183	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed Through State Department of Education:											
National School Lunch	(I)	10.555	1-29-54-080-3	N/A	7-1-19 / 6-30-20	381,859	-	381,859	381,859	-	-
National School Lunch	(S)	N/A	1-29-54-080-3	N/A	7-1-19 / 6-30-20	24,320	-	24,320	24,320	-	-
School Breakfast	(I)	10.553	1-29-54-080-3	N/A	7-1-19 / 6-30-20	49,943	-	49,943	49,943	-	-
School Breakfast	(S)	N/A	1-29-54-080-3	N/A	7-1-19 / 6-30-20	2,793	-	2,793	2,793	-	-
Summer Food	(I)	10.559	1-29-54-080-3	N/A	7-1-19 / 6-30-20	3,682	-	3,682	3,682	-	-
Total State Department of Education						462,597	-	462,597	462,597	-	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	(I)	10.555	1-29-54-080-3	N/A	7-1-18 / 6-30-19	(A) 86,665	(B) 2,132	86,665	(C) 86,665	(D) 2,132	-
TOTAL DEPARTMENT OF AGRICULTURE						549,262	2,132	549,262	549,262	2,132	-
LESS: STATE FUNDS						27,113	-	27,113	27,113	-	-
Total Child Nutrition Cluster						522,149	2,132	522,149	522,149	2,132	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,478,734		\$ 1,769,700	\$ 545,407	\$ 1,707,608	\$ 1,707,608	\$ 483,315	\$ -

Source Code Legend:

- (I) Indicates indirect funding
- (S) Indicates State matching funding.

Other Code Legend:

- (A) Indicates total commodities received.
- (B) Indicates beginning commodity inventory
- (C) Indicates commodities used.
- (D) Indicates ending commodity inventory

*Denotes tested as a major program

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1: REPORTING ENTITY

Selinsgrove Area School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1B to the District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the accrual basis of accounting, which is described in Note 1E to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2020 threshold for determining Type A and Type B programs is \$750,000. The District had no type A programs.

The following Type B program was audited as major for coverage:

10.555/10.553/10.559 Child Nutrition Cluster

The amount expended under the program audited as a major federal program for the year ended June 30, 2020, totaled \$522,149 or 30.6% of total federal awards expended.

NOTE 4: MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



Zelenkofske Axlerod LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Selinsgrove Area School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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Board of School Directors
Selinsgrove Area School District

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axlerod LLC

Zelenkofske Axlerod LLC

Harrisburg, Pennsylvania
January 21, 2021



Zelenkofske Axlerod LLC

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Selinsgrove Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.



Zelenkofske Axlerod LLC

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Board of School Directors
Selinsgrove Area School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Zelenkofske Axlerod LLC

Zelenkofske Axlerod LLC

Harrisburg, Pennsylvania
January 21, 2021

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

10.553/10.555/10.559	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
None noted.			