

STO-ROX SCHOOL DISTRICT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**STO-ROX**  
**SCHOOL DISTRICT**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED**  
**JUNE 30, 2021**

**STO-ROX SCHOOL DISTRICT**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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ALLEGHENY COUNTY, PENNSYLVANIA  
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# **Mark C. Turnley**

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**To the Management and Board of Education  
Sto-Rox School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Sto-Rox School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Sto-Rox School District'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 Sto-Rox School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Sto-Rox School District as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

On March 26, 2020, the Pennsylvania Department of Education placed the Sto-Rox School District in 'Financial Watch Status' pursuant to Section 611-A of the Public School Code. Subsequently, the State Board of Education determined that the School District met the criteria to be placed in 'Financial Recovery Status' pursuant to 22 Pa. Code 18.5. On July 12, 2021, the Secretary of the Pennsylvania Department of Education declared that the Sto-Rox School District is in 'Financial Recovery Status' as defined in Section 621-A of the School Code, and Section 18.5 of Title 22 of the Pennsylvania Code, and is subject to the provisions of Article VI-A of the School Code that apply to '**Moderate Financial Recovery School Districts**' as defined in Section 651-A. As shown on the Governmental Funds Balance Sheet (Exhibit C), the Sto-Rox School District General Fund maintained a deficit fund balance of \$5,906,695 as of June 30, 2021. My opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the District adopted new accounting guidance GASB Statement No. 84, "*Fiduciary Activities*". My opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-xi, and the other required supplementary information on pages 47-54, 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. I 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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 Matters (Continued)**

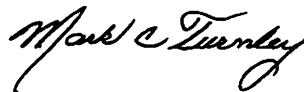
### ***Supplementary Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sto-Rox School District's basic financial statements. The accompanying supplementary information (schedule of expenditures of federal awards) is presented for purposes of additional analysis 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, and is also not a required part of the basic financial statements.

The supplementary information (schedule of expenditures of federal awards) is the responsibility of management and was derived from and relate 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 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 my opinion, the supplementary information (schedule of expenditures of federal awards), is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 20, 2022 on my consideration of the Sto-Rox School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Sto-Rox School District's internal control over financial reporting and compliance.



Mark C. Turnley, CPA

September 20, 2022  
New Brighton, Pennsylvania

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

## **INTRODUCTION**

This discussion and analysis of the Sto-Rox School District's financial performance provides an overview of the fiscal year ending June 30, 2021. Its intent is to provide readers with an appreciation for the financial status of the District, challenges faced and accomplishments achieved. The financial statements and notes for this period should also be consulted for a complete understanding of the district's performance. While this discussion and analysis primarily focuses on past performance and conditions, it also includes some observations of the current fiscal year's budget execution to date and those conditions looming on the horizon.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Certain comparative information between the current year and the prior year required in MD&A's will be included.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2020-2021 Fiscal Year are as follows:

- The district's total governmental activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2021, by \$21,970,915 (net position – deficit). This was an increase of \$1,732,331 over June 30, 2020. This deficit net position is mainly the result of liabilities reported in accordance with GASB 75, '*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*', and GASB 68 '*Accounting and Financial Reporting for Pensions*'. The district is now required to recognize a liability for their post-employment healthcare plan, to recognize a liability for their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net healthcare obligation, and to recognize their proportionate share of the PSERS overall net pension obligation. For the Sto-Rox School District, these combined liabilities stand at \$32,781,968 for the governmental activities and \$756,750 for the business-type activities as of June 30, 2021.
- Total governmental activities revenues were \$32,444,807. General revenues accounted for \$20,399,625 in revenue or 62.9% of all revenues. Program revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$12,045,182 or 37.1% of total revenues.
- At the end of the fiscal year, the total fund balance of the general fund was a deficit of \$5,906,695 with \$29,217 in non-spendable fund balance for prepaid expenses. Total fund balance was a deficit \$6,541,341 at June 30, 2020 with an increase in fund balance of \$634,646 for the 2020-2021 fiscal year.



**STO-ROX SCHOOL DISTRICT  
Management's Discussion and Analysis  
Required Supplementary Information (RSI)  
For the Year Ending June 30, 2021**

**USING THE ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Sto-Rox School District as a financial whole, an entire operating entity. The first several, referred to as "Government-Wide Financial Statements," are full accrual statements required by GASB 34. The statements then proceed to provide an increasingly detailed look at specific financial activities. These are the "Fund Financial Statements" and are essentially the modified accrual statements used before GASB 34 added the governmental-wide statements.

The "Statement of Net Position" and the "Statement of Activities" provide information about the activities of the entire school district, presenting both an aggregate view of the District's finances and longer-term view of these finances. Fund financial statements provide the next level of detail. On the governmental fund statements, the reader will see how services were financed in the short-term as well as what remains for future spending. The fund financial statements also examine the district's most significant funds. In the case of Sto-Rox School District, the general fund is by far the most significant fund.

The "Statement of Net Position" and the "Statement of Activities" include all assets and liabilities using the full accrual basis of accounting like the accounting used by most private-sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when cash is received or paid. The two statements report the district's net position and changes to that position. This change in position is important because it tells the reader that, as a whole, the financial position of the district has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the district's property tax base, student enrollment, facility conditions, required educational programs and others. In "The Statement of Net Position" and "The Statement of Activities" two types of activities are delineated: Governmental Activities, which include most of the district's programs and services such as instruction, support services, operation and maintenance of the physical plant and extracurricular activities; and, Business-Type Activities, which are services that are charged for, in our case, the Food Services Fund.

The fund financial reports provide detailed information about the district's major funds. The funds are classified as "Governmental Funds" and "Proprietary Funds." "Governmental Funds" cover most of the district's activities and focus on how money flows into and out of those funds, and the balances remaining at year's end which are available for spending in the future. As modified accrual reports, these measure cash and other assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the district's general operations and the basic services it provides. The major governmental funds are the General Fund, the Capital Reserve Fund, and the Capital Project Fund. The only proprietary fund is the Food Services Fund.

This information can help the reader determine whether there are more or fewer financial resources that can be spent soon to finance educational programs. "Proprietary Funds" use the accrual basis of accounting; therefore, these financial statements are essentially the same on the government-wide financial statements as they are on the fund financial statements.

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

A comparative breakdown of assets, liabilities and net position of the District for the past two fiscal years is as follows:

Table A-1  
Fiscal Year ended June 30, 2021 and 2020  
Net Position

|                                                     | ----- JUNE 30, 2021 -----  |                             |                        | JUNE 30, 2020          |
|-----------------------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
|                                                     | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                  | TOTAL                  |
| Current Assets                                      | \$ 14,699,965              | \$ 1,111,189                | \$ 15,811,154          | \$ 13,407,871          |
| Capital Assets                                      | 11,387,387                 | 490,580                     | 11,877,967             | 12,275,042             |
| Deferred Outflows of Resources                      | 6,098,757                  | 119,721                     | 6,218,478              | 5,201,852              |
| <b>TOTAL ASSETS &amp; DEFERRED<br/>OUTFLOWS</b>     | <b>\$ 32,186,109</b>       | <b>\$ 1,721,490</b>         | <b>\$ 33,907,599</b>   | <b>\$ 30,884,765</b>   |
| Current Liabilities                                 | \$ 11,346,666              | \$ 36,252                   | \$ 11,382,918          | \$ 9,701,795           |
| Long-term Liabilities                               | 41,860,848                 | 756,750                     | 42,617,598             | 42,297,413             |
| Deferred Inflows of Resources                       | 949,510                    | 23,875                      | 973,385                | 1,665,611              |
| <b>TOTAL LIABILITIES &amp; DEFERRED<br/>INFLOWS</b> | <b>\$ 54,157,024</b>       | <b>\$ 816,877</b>           | <b>\$ 54,973,901</b>   | <b>\$ 53,664,819</b>   |
| Net Investment in Capital Assets                    | \$ 929,702                 | \$ 490,580                  | \$ 1,420,282           | \$ 370,377             |
| Restricted                                          | 85,094                     | -                           | 85,094                 | 580,829                |
| Unrestricted <Deficit>                              | (22,985,711)               | 414,033                     | (22,571,678)           | (23,731,260)           |
| <b>TOTAL NET POSITION &lt;Deficit&gt;</b>           | <b>\$ (21,970,915)</b>     | <b>\$ 904,613</b>           | <b>\$ (21,066,302)</b> | <b>\$ (22,780,054)</b> |

The change in deferred outflows and inflows of resources and long-term liabilities, along with the deficit net position is primarily attributed to updated actuarial valuation for the district's pension and OPEB plans in accordance with GASB Statements No. 68 and 75. Capital assets decreased due to depreciation expense exceeding capital expenses during the 2020-2021 fiscal year. Bond issue and capital lease debt obligations, included as part of long-term liabilities, decreased as the district continued to make the required principal payments on its long-term debt.

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-2 takes the information from the Statement of Activities, presents it slightly differently, so the reader may see the District's total revenues, expenses, and change to the net position for past two fiscal years.

Table A-2  
Fiscal Year ended June 30, 2021 and June 30, 2020  
Changes in Net Position

|                                      | ----- JUNE 30, 2021 -----  |                             |                      | JUNE 30, 2020        |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                                      | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                | TOTAL                |
| <b>REVENUES</b>                      |                            |                             |                      |                      |
| <b>Program Revenues:</b>             |                            |                             |                      |                      |
| Charges for Services                 | \$ 72,239                  | \$ 5,868                    | \$ 78,107            | \$ 75,356            |
| Grants and Contributions             | 11,972,943                 | 604,817                     | 12,577,760           | 11,491,429           |
| <b>General Revenues:</b>             |                            |                             |                      |                      |
| Property, Earned Income, Other Taxes | 8,782,036                  | -                           | 8,782,036            | 8,511,584            |
| Grants, Subsidies and Contributions  | 10,959,124                 | -                           | 10,959,124           | 10,959,060           |
| Other                                | 658,465                    | 43                          | 658,508              | 558,908              |
| <b>TOTAL REVENUES</b>                | <b>\$ 32,444,807</b>       | <b>\$ 610,728</b>           | <b>\$ 33,055,535</b> | <b>\$ 31,596,337</b> |
| <b>EXPENSES</b>                      |                            |                             |                      |                      |
| Instruction                          | \$ 22,067,602              | \$ -                        | \$ 22,067,602        | \$ 20,610,371        |
| Instructional Student Support        | 1,624,344                  | -                           | 1,624,344            | 1,797,886            |
| Administrative and Financial Support | 2,228,023                  | -                           | 2,228,023            | 1,937,910            |
| Operation and Maintenance of Plant   | 1,950,457                  | -                           | 1,950,457            | 1,793,248            |
| Pupil Transportation                 | 2,163,660                  | -                           | 2,163,660            | 2,689,561            |
| Student Activities                   | 289,092                    | -                           | 289,092              | 283,397              |
| Community Services                   | 1,009                      | -                           | 1,009                | 34,449               |
| Interest on Long-term Debt           | 388,289                    | -                           | 388,289              | 466,265              |
| Refund of Prior Year Receipts        | -                          | -                           | -                    | 178,501              |
| Food Services                        | -                          | 629,307                     | 629,307              | 906,156              |
| <b>TOTAL EXPENSES</b>                | <b>\$ 30,712,476</b>       | <b>\$ 629,307</b>           | <b>\$ 31,341,783</b> | <b>\$ 30,697,744</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ 1,732,331</b>        | <b>\$ (18,579)</b>          | <b>\$ 1,713,752</b>  | <b>\$ 898,593</b>    |

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-3 shows the district's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, long-term debt, as well as each program's net cost (total cost less revenues generated by the activities) for the past two fiscal years. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3  
Fiscal Year ended June 30, 2021 and June 30, 2020  
Governmental Activities

|                                                            | ----- JUNE 30, 2021 -----        |                                | ----- JUNE 30, 2020 -----        |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| Instruction                                                | \$ 22,067,602                    | \$ 13,049,191                  | \$ 20,610,371                    | \$ 13,063,565                  |
| Instructional Student Support                              | 1,624,344                        | 1,269,315                      | 1,797,886                        | 1,227,667                      |
| Administrative and Financial Support                       | 2,228,023                        | 1,898,515                      | 1,937,910                        | 1,649,442                      |
| Operation and Maintenance of Plant                         | 1,950,457                        | 1,558,485                      | 1,793,248                        | 1,590,277                      |
| Pupil Transportation                                       | 2,163,660                        | 982,871                        | 2,689,561                        | 1,649,508                      |
| Student Activities                                         | 289,092                          | 235,762                        | 283,397                          | 231,780                        |
| Community Services                                         | 1,009                            | 1,009                          | 34,449                           | (1,263)                        |
| Interest on Long-term Debt                                 | 388,289                          | (327,854)                      | 466,265                          | (311,406)                      |
| Refund of Prior Year Receipts                              | -                                | -                              | 178,501                          | 178,501                        |
| <b>TOTAL EXPENSES</b>                                      | <u>\$ 30,712,476</u>             | <u>\$ 18,667,294</u>           | <u>\$ 29,791,588</u>             | <u>\$ 19,278,071</u>           |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | <u>10,106,606</u>              |                                  | <u>10,106,647</u>              |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <u><u>\$ 8,560,688</u></u>     |                                  | <u><u>\$ 9,171,424</u></u>     |

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
 Fiscal Year ended June 30, 2021 and June 30, 2020  
 Business-Type Activities

|                                       | JUNE 30, 2021            |                        | JUNE 30, 2020            |                        |
|---------------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                       | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                       |                          |                        |                          |                        |
| Food Service                          | \$ 629,307               | \$ (18,622)            | \$ 906,156               | \$ 147,112             |
| Miscellaneous                         |                          | 43                     |                          | -                      |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> |                          |                        |                          |                        |
| <b>NET &lt;INCOME&gt; LOSS</b>        |                          | <b>\$ (18,579)</b>     |                          | <b>\$ 147,112</b>      |

**GENERAL**

The Sto-Rox School District's General Fund had an increase in fund balance of \$634,646 from a deficit of \$6,541,341 at 6/30/2020 to a deficit of \$5,906,695 at 6/30/2021, due to revenues exceeding expenditures. The fund balance of the Capital Reserve Fund decreased by \$136,335 from \$221,429 at 6/30/2020 to \$85,094 at 6/30/2021 due to \$157,231 in capital expenses.

**REVENUES**

The Sto-Rox School District's 2020-2021 total General Fund revenues (excluding other financing sources) were higher than 2019-2020 revenues by \$1,884,622 (6.39%). Local revenues went from \$8,359,760 at 6/30/2020 to \$8,737,960 at 6/30/2021, a difference of \$378,200. This increase was primarily due to an increase in refund of prior year expenses of \$268,182 and an increase in delinquent real estate tax collections of \$94,959. State revenues decreased by \$52,135 (.27%). This decrease was primarily due to a decrease in "PlanCon Bond Projects" of \$61,528. Federal revenues increased by \$1,558,557 (92.7%) due to various COVID-19 related federal grants received by the District during 2020-2021.

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

**EXPENSES**

General Fund expenses (excluding other financing uses) exceeded 2019-2020 expenses by \$705,592 (2.3%). Direct instructional costs were \$21,213,009 (up from \$20,054,898) while instructional support costs were \$7,684,842 (down from \$8,076,993). Non-instructional services totaled \$276,727 (down from \$308,598). There were \$5,235 in capital expenses for the General Fund at 6/30/2021 versus zero at 6/30/2020. Debt service was \$1,780,211 (down from \$1,813,943).

**MAJOR FINANCIAL ISSUES**

At the time these financial statements were prepared and audited, the District was aware of various circumstances that could significantly affect its financial health in the future:

- The district has been paying out a larger amount in Charter School Tuition however, with the introduction of its own Cyber Academy is hoping to retain more students from moving to the charter schools. Propel Montour has opened a new Secondary Level building in Robinson Township as of September 2017. The district administration has been working with the students to find out what changes they would like to see to retain them within the Sto-Rox School District. The number of students going to Charter Schools as well as Special Education Schools has also increased the amount of transportation costs that the district has incurred and continues to incur. In addition, the district has had an influx of foster and homeless students who have to be provided with transportation. The District did receive a grant from PDE that covered some of the special education and charter school overages.
- There has been substantial increase in the PSERS retirement employer rate of 25.84% in the 2015-16 school year, up to 30.03% for the 2016-17 school year, 32.57% for the 2017-18 school year, 33.43% for the 2018-19 year, 34.29% for the 2019-20 year, 34.51% for the 2020-21 year, and increasing to 34.94% for the 2021-22 year. While seeing these increase the Administration and Board of School Directors are working closely together to find ways of saving money to decrease the fund balance deficit.
- The Sto-Rox School District has a very limited tax base and has one of the lowest real estate valuations in Allegheny County.
- Sto-Rox School District received \$935,197 in CARES Act Grant Funding for the 2020-2021 fiscal year. We purchased 1,200 Chromebooks and now currently have the Virtual Viking for in-person and virtual/remote students. The District will receive ESSERS funding of \$12,563,698 over the next two years to support operational needs in term of staff and security.
- Sto-Rox School District is on the financial watch list with the Commonwealth of Pennsylvania. We work diligently and have periodic meetings with Lori Graham from PDE and Meredith Brett from PFM.

**STO-ROX SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Required Supplementary Information (RSI)**  
**For the Year Ending June 30, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2021, the District's governmental activities had a net amount of \$11,387,387, and business-type activities had a net amount of \$490,580 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including deletions and depreciation) of \$397,075 or 3.23% from last year.

**DEBT ADMINISTRATION**

As of July 1, 2020, the District had total outstanding bond principal of \$10,435,000 on its General Obligation Bond Issues – Series of 2011 and Series of 2017, and \$171,021 on its PNC Equipment Lease. During the year, the District made payments against the principal of \$876,516 resulting in a total ending outstanding debt as of June 30, 2021 of \$9,729,505. During the 2020-2021 fiscal year, the District made its scheduled payment on its Series A of 2009 Capital Appreciation Notes totaling \$645,000. The District is scheduled to make principal and interest payments on this debt totaling \$1,831,898 during the 2021-2022 fiscal year.

The District's underlying general obligation bond rating is a Moody's Investors Services "Caal" (negative outlook) as of December of 2021. The enhanced rating, "A-2" (stable outlook), is based upon additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. The Sto-Rox School District is a full faith credit and taxing power.

Other long-term obligations include net pension liability, net OPEB liability, and compensated absences. More detailed information about our long-term liabilities is included in Notes 10 and 11 to the financial statements.

**LABOR RELATIONS**

- Last June the Sto-Rox School District and the Support Union Employees were able to come to an agreement for a contract ending in the 2022-2023 school year.
- On June 30, 2020, the Sto-Rox Educational Association (SREA) professional educator's contract expired. The District is set to vote on a one year contract extension with SREA in August of 2022.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the School District's accountability for the money it receives. If the reader has questions about this report, or wishes to request additional financial information, please contact the District's business office at Sto-Rox School District, 298 Ewing Road, McKees Rocks, PA 15136 (412) 771-3213.

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**EXHIBIT A**

|                                                                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>           |
|---------------------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------|
| <b>ASSETS</b>                                                             |                                    |                                     |                        |
| <b>Current Assets:</b>                                                    |                                    |                                     |                        |
| Cash and Cash Equivalents                                                 | \$ 524,307                         | \$ 16,269                           | \$ 540,576             |
| Investments                                                               | 2,091,209                          | -                                   | 2,091,209              |
| Taxes Receivable, net                                                     | 11,072,050                         | -                                   | 11,072,050             |
| Internal Balances                                                         | (979,201)                          | 979,201                             | -                      |
| Due From Other Governments                                                | 1,934,426                          | 20,414                              | 1,954,840              |
| Prepaid Expenses                                                          | 29,217                             | 71,777                              | 100,994                |
| Inventories                                                               | -                                  | 23,528                              | 23,528                 |
| Other Accounts Receivable                                                 | 27,957                             | -                                   | 27,957                 |
| <b>Total Current Assets</b>                                               | <b>\$ 14,699,966</b>               | <b>\$ 1,111,189</b>                 | <b>\$ 15,811,154</b>   |
| <b>Noncurrent Assets:</b>                                                 |                                    |                                     |                        |
| Land                                                                      | \$ 2,343,900                       | \$ -                                | \$ 2,343,900           |
| Land Improvements                                                         | 670,803                            | -                                   | 670,803                |
| Building & Building Improvements (net)                                    | 8,085,960                          | -                                   | 8,085,960              |
| Furniture & Equipment (net)                                               | 286,724                            | 490,580                             | 777,304                |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 11,387,387</b>               | <b>\$ 490,580</b>                   | <b>\$ 11,877,967</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 26,087,352</b>               | <b>\$ 1,601,769</b>                 | <b>\$ 27,689,121</b>   |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>                                     |                                    |                                     |                        |
| Deferred Outflows Related to Pensions                                     | \$ 4,507,100                       | \$ 115,567                          | \$ 4,622,667           |
| Deferred Outflows Related to OPEB                                         | 1,591,657                          | 4,154                               | 1,595,811              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 6,098,757</b>                | <b>\$ 119,721</b>                   | <b>\$ 6,218,478</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 32,186,109</b>               | <b>\$ 1,721,490</b>                 | <b>\$ 33,907,599</b>   |
| <b>LIABILITIES</b>                                                        |                                    |                                     |                        |
| <b>Current Liabilities:</b>                                               |                                    |                                     |                        |
| Accounts Payable                                                          | \$ 4,945,423                       | \$ 17,310                           | \$ 4,962,733           |
| Bonds Payable - Current Portion                                           | 855,000                            | -                                   | 855,000                |
| Leases Payable - Current Portion                                          | 58,706                             | -                                   | 58,706                 |
| Capital Appreciation Notes - Current Portion                              | 640,000                            | -                                   | 640,000                |
| Accrued Interest                                                          | 23,708                             | -                                   | 23,708                 |
| Accrued Salaries and Benefits                                             | 4,086,927                          | -                                   | 4,086,927              |
| Payroll Deductions and Withholdings                                       | 599,171                            | -                                   | 599,171                |
| Unearned Revenue                                                          | 100,411                            | 18,942                              | 119,353                |
| Other Current Liabilities                                                 | 37,320                             | -                                   | 37,320                 |
| <b>Total Current Liabilities</b>                                          | <b>\$ 11,346,666</b>               | <b>\$ 36,252</b>                    | <b>\$ 11,382,918</b>   |
| <b>Noncurrent Liabilities:</b>                                            |                                    |                                     |                        |
| Bonds Payable - Long-term Portion (Net)                                   | \$ 8,579,198                       | \$ -                                | \$ 8,579,198           |
| Leases Payable - Long-term Portion                                        | 60,799                             | -                                   | 60,799                 |
| Capital Appreciation Notes - Long-term Portion                            | 263,983                            | -                                   | 263,983                |
| Compensated Absences                                                      | 174,900                            | -                                   | 174,900                |
| Net Pension Liability                                                     | 28,276,950                         | 725,050                             | 29,002,000             |
| Net OPEB Liability                                                        | 4,505,018                          | 31,700                              | 4,536,718              |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 41,860,848</b>               | <b>\$ 786,750</b>                   | <b>\$ 42,617,598</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 53,207,514</b>               | <b>\$ 793,002</b>                   | <b>\$ 54,000,516</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                                    |                                     |                        |
| Deferred Inflows Related to Pensions                                      | \$ 882,375                         | \$ 22,625                           | \$ 905,000             |
| Deferred Inflows Related to OPEB                                          | 67,135                             | 1,250                               | 68,385                 |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 949,510</b>                  | <b>\$ 23,875</b>                    | <b>\$ 973,385</b>      |
| <b>NET POSITION</b>                                                       |                                    |                                     |                        |
| Net Investment in Capital Assets                                          | \$ 929,702                         | \$ 490,580                          | \$ 1,420,282           |
| Restricted                                                                | 85,094                             | -                                   | 85,094                 |
| Unrestricted (Deficit)                                                    | (22,985,711)                       | 414,033                             | (22,571,678)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (21,970,915)</b>             | <b>\$ 904,613</b>                   | <b>\$ (21,066,302)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 32,186,109</b>               | <b>\$ 1,721,490</b>                 | <b>\$ 33,907,599</b>   |

The accompanying notes are an integral part of these financial statements



**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**EXHIBIT B**

| Functions/Programs                                | Expenses             | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                        |
|---------------------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|------------------------|
|                                                   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>                   |                      |                         |                                          |                                        |                                                      |                             |                        |
| Instruction                                       | \$ 22,067,602        | \$ -                    | \$ 9,018,411                             | \$ -                                   | \$ (13,049,191)                                      |                             | \$ (13,049,191)        |
| Instructional Student Support                     | 1,624,344            | -                       | 355,029                                  | -                                      | (1,269,315)                                          |                             | (1,269,315)            |
| Administrative and Financial Support Services     | 2,228,023            | -                       | 329,508                                  | -                                      | (1,898,515)                                          |                             | (1,898,515)            |
| Operation and Maintenance of Plant Services       | 1,950,457            | 48,652                  | 343,320                                  | -                                      | (1,558,485)                                          |                             | (1,558,485)            |
| Pupil Transportation                              | 2,163,660            | -                       | 1,180,789                                | -                                      | (982,871)                                            |                             | (982,871)              |
| Student Activities                                | 289,092              | 23,587                  | 29,743                                   | -                                      | (235,762)                                            |                             | (235,762)              |
| Community Services                                | 1,009                | -                       | -                                        | -                                      | (1,009)                                              |                             | (1,009)                |
| Interest on Long-Term Debt                        | 388,289              | -                       | -                                        | 716,143                                | 327,854                                              |                             | 327,854                |
| <b>Total Governmental Activities</b>              | <b>\$ 30,712,476</b> | <b>\$ 72,239</b>        | <b>\$ 11,256,800</b>                     | <b>\$ 716,143</b>                      | <b>\$ (18,667,294)</b>                               |                             | <b>\$ (18,667,294)</b> |
| <b>Business-Type Activities:</b>                  |                      |                         |                                          |                                        |                                                      |                             |                        |
| Food Service                                      | \$ 629,307           | \$ 5,868                | \$ 604,817                               | \$ -                                   | \$ -                                                 | \$ (18,622)                 | \$ (18,622)            |
| <b>Total Business-Type Activities</b>             | <b>\$ 629,307</b>    | <b>\$ 5,868</b>         | <b>\$ 604,817</b>                        | <b>\$ -</b>                            | <b>\$ -</b>                                          | <b>\$ (18,622)</b>          | <b>\$ (18,622)</b>     |
| <b>Total Primary Government</b>                   | <b>\$ 31,341,783</b> | <b>\$ 78,107</b>        | <b>\$ 11,861,617</b>                     | <b>\$ 716,143</b>                      | <b>\$ (18,667,294)</b>                               | <b>\$ (18,622)</b>          | <b>\$ (18,685,916)</b> |
| <b>General Revenues:</b>                          |                      |                         |                                          |                                        |                                                      |                             |                        |
| Taxes:                                            |                      |                         |                                          |                                        |                                                      |                             |                        |
| Property Taxes, Levied for General Purposes (net) |                      |                         |                                          |                                        | \$ 7,733,717                                         | \$ -                        | \$ 7,733,717           |
| Taxes Levied for Specific Purposes                |                      |                         |                                          |                                        | 1,048,319                                            | -                           | 1,048,319              |
| Property Tax Relief Payment                       |                      |                         |                                          |                                        | 852,518                                              | -                           | 852,518                |
| Grants and Contributions - Unrestricted           |                      |                         |                                          |                                        | 10,106,606                                           | -                           | 10,106,606             |
| Investment Earnings                               |                      |                         |                                          |                                        | 428                                                  | -                           | 428                    |
| Gain on Sale of Fixed Assets                      |                      |                         |                                          |                                        | 228,400                                              | -                           | 228,400                |
| Miscellaneous Income                              |                      |                         |                                          |                                        | 429,637                                              | 43                          | 429,680                |
| <b>Total General Revenues</b>                     |                      |                         |                                          |                                        | <b>\$ 20,399,625</b>                                 | <b>\$ 43</b>                | <b>\$ 20,399,668</b>   |
| <b>Change in Net Position</b>                     |                      |                         |                                          |                                        | <b>\$ 1,732,331</b>                                  | <b>\$ (18,579)</b>          | <b>\$ 1,713,752</b>    |
| Net Position — July 1, 2020 (Deficit)             |                      |                         |                                          |                                        | (23,703,246)                                         | 923,192                     | (22,780,054)           |
| <b>Net Position — June 30, 2021 (Deficit)</b>     |                      |                         |                                          |                                        | <b>\$ (21,970,915)</b>                               | <b>\$ 904,613</b>           | <b>\$ (21,066,302)</b> |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021**

**EXHIBIT C**

|                                                                                | <b>GENERAL<br/>FUND</b> | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                 |                         |                                     |                                         |
| Cash and Cash Equivalents                                                      | \$ 524,307              | \$ -                                | \$ 524,307                              |
| Investments                                                                    | 2,006,115               | 85,094                              | 2,091,209                               |
| Taxes Receivable, net                                                          | 11,072,050              | -                                   | 11,072,050                              |
| Due From Other Governments                                                     | 1,934,426               | -                                   | 1,934,426                               |
| Prepaid Expenses                                                               | 29,217                  | -                                   | 29,217                                  |
| Other Accounts Receivable                                                      | 27,957                  | -                                   | 27,957                                  |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 15,594,072</b>    | <b>\$ 85,094</b>                    | <b>\$ 15,679,166</b>                    |
| <br><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>      |                         |                                     |                                         |
| <b>LIABILITIES:</b>                                                            |                         |                                     |                                         |
| Due to Other Funds                                                             | \$ 979,201              | \$ -                                | \$ 979,201                              |
| Accounts Payable                                                               | 4,945,423               | -                                   | 4,945,423                               |
| Accrued Salaries and Benefits                                                  | 4,086,927               | -                                   | 4,086,927                               |
| Payroll Deductions and Withholdings                                            | 599,171                 | -                                   | 599,171                                 |
| Unearned Revenue - Grants                                                      | 100,411                 | -                                   | 100,411                                 |
| Other Current Liabilities                                                      | 37,320                  | -                                   | 37,320                                  |
| <b>TOTAL LIABILITIES</b>                                                       | <b>\$ 10,748,463</b>    | <b>\$ -</b>                         | <b>\$ 10,748,463</b>                    |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>                                      |                         |                                     |                                         |
| Delinquent Real Estate Taxes                                                   | \$ 10,752,314           | \$ -                                | \$ 10,752,314                           |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b>\$ 10,752,314</b>    | <b>\$ -</b>                         | <b>\$ 10,752,314</b>                    |
| <br><b>FUND BALANCES:</b>                                                      |                         |                                     |                                         |
| Nonspendable                                                                   | \$ 29,217               | \$ -                                | \$ 29,217                               |
| Restricted                                                                     | -                       | 85,094                              | 85,094                                  |
| Unassigned (Deficit)                                                           | (5,935,912)             | -                                   | (5,935,912)                             |
| <b>TOTAL FUND BALANCES (Deficit)</b>                                           | <b>\$ (5,906,695)</b>   | <b>\$ 85,094</b>                    | <b>\$ (5,821,601)</b>                   |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 15,594,072</b>    | <b>\$ 85,094</b>                    | <b>\$ 15,679,166</b>                    |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**Total Fund Balances - Governmental Funds** **\$ (5,821,601)**

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. The cost of assets is \$33,342,813, and the accumulated depreciation is \$21,955,426. 11,387,387

Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 10,752,314

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

|                                                    |           |
|----------------------------------------------------|-----------|
| Deferred outflows of resources related to pensions | 4,507,100 |
| Deferred outflows of resources related to OPEB     | 1,591,657 |
| Deferred inflows of resources related to pensions  | (882,375) |
| Deferred inflows of resources related to OPEB      | (67,135)  |

Long term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

|                              |              |              |
|------------------------------|--------------|--------------|
| Bonds Payable, Net           | \$ 9,434,198 |              |
| Leases Payable               | 119,505      |              |
| Capital Appreciation Bonds   | 903,983      |              |
| Accrued Interest on Debt     | 23,708       |              |
| Net Pension Liability        | 28,276,950   |              |
| Accrued Compensated Absences | 174,900      |              |
| Net OPEB Liability           | 4,505,018    | (43,438,262) |
|                              |              |              |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (DEFICIT)** **\$ (21,970,915)**

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

| <b>REVENUES</b>                                              | <b>GENERAL FUND</b>   | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>CAPITAL<br/>PROJECT<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------|-----------------------|-------------------------------------|-------------------------------------|-----------------------------------------|
| Local Sources                                                | \$ 8,737,960          | \$ 46                               | \$ -                                | \$ 8,738,006                            |
| State Sources                                                | 19,388,596            | -                                   | -                                   | 19,388,596                              |
| Federal Sources                                              | 3,239,714             | -                                   | -                                   | 3,239,714                               |
| <b>Total Revenue</b>                                         | <b>\$ 31,366,270</b>  | <b>\$ 46</b>                        | <b>\$ -</b>                         | <b>\$ 31,366,316</b>                    |
| <b>EXPENDITURES</b>                                          |                       |                                     |                                     |                                         |
| Instruction                                                  | \$ 21,213,009         | \$ -                                | \$ -                                | \$ 21,213,009                           |
| Support Services                                             | 7,684,842             | -                                   | -                                   | 7,684,842                               |
| Noninstructional Services                                    | 276,727               | -                                   | -                                   | 276,727                                 |
| Capital Outlay                                               | 5,235                 | 157,231                             | 359,400                             | 521,866                                 |
| Debt Service                                                 | 1,780,211             | -                                   | -                                   | 1,780,211                               |
| <b>Total Expenditures</b>                                    | <b>\$ 30,960,024</b>  | <b>\$ 157,231</b>                   | <b>\$ 359,400</b>                   | <b>\$ 31,476,655</b>                    |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 406,246</b>     | <b>\$ (157,185)</b>                 | <b>\$ (359,400)</b>                 | <b>\$ (110,339)</b>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                                     |                                     |                                         |
| Sale/Compensation for Fixed Assets                           | \$ 228,400            | \$ -                                | \$ -                                | \$ 228,400                              |
| Refund of Prior Year Expenses                                | -                     | 20,850                              | -                                   | 20,850                                  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ 228,400</b>     | <b>\$ 20,850</b>                    | <b>\$ -</b>                         | <b>\$ 249,250</b>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 634,646</b>     | <b>\$ (136,335)</b>                 | <b>\$ (359,400)</b>                 | <b>\$ 138,911</b>                       |
| FUND BALANCE - JULY 1, 2020 (Deficit)                        | (6,541,341)           | 221,429                             | 359,400                             | (5,960,512)                             |
| <b>FUND BALANCE - JUNE 30, 2021 (Deficit)</b>                | <b>\$ (5,906,695)</b> | <b>\$ 85,094</b>                    | <b>\$ -</b>                         | <b>\$ (5,821,601)</b>                   |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                                                                                                                                                                                                                                                                                                                                                                                             |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>                                                                                                                                                                                                                                                                                                                               | <b>\$ 138,911</b>   |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                                                                                                                                                                                                                                          |                     |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$858,304) exceeded capital outlay (\$521,817) during the fiscal year.                                                      | (336,487)           |
| Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.                                                                                                                                                                        | (136,958)           |
| Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.                                                                                                                                                                                                                        | 1,521,516           |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | (54,808)            |
| Bond discount costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the note as interest expense.                                                                                                                                                                                   | (17,586)            |
| Gain/loss on disposal of fixed assets.                                                                                                                                                                                                                                                                                                                                                      | (20,850)            |
| Because certain property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.                                                                                                                                 | 850,091             |
| In the statement of activities, certain operating expenses - compensated absences and retiree benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This amount represents these benefits earned in excess of the amount paid.                     | (211,498)           |
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>                                                                                                                                                                                                                                                                                                                                    | <b>\$ 1,732,331</b> |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                                                               | Budgeted Amounts      |                       | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original              | Final                 |                             |                                                         |
| <b>REVENUES</b>                                               |                       |                       |                             |                                                         |
| Local Sources                                                 | \$ 8,356,996          | \$ 8,356,996          | \$ 8,737,960                | \$ 380,964                                              |
| State Sources                                                 | 16,873,024            | 16,873,024            | 19,388,596                  | 2,515,572                                               |
| Federal Sources                                               | 1,584,413             | 1,584,413             | 3,239,714                   | 1,655,301                                               |
| <b>Total Revenues</b>                                         | <b>\$ 26,814,433</b>  | <b>\$ 26,814,433</b>  | <b>\$ 31,366,270</b>        | <b>\$ 4,551,837</b>                                     |
| <b>EXPENDITURES</b>                                           |                       |                       |                             |                                                         |
| Regular Programs                                              | \$ 12,793,837         | \$ 12,793,837         | \$ 15,698,059               | \$ (2,904,222)                                          |
| Special Programs                                              | 4,780,917             | 4,780,917             | 4,520,517                   | 260,400                                                 |
| Vocational Programs                                           | 733,049               | 733,049               | 644,667                     | 88,382                                                  |
| Other Instructional Programs                                  | 655,394               | 655,394               | 176,714                     | 478,680                                                 |
| Non-Public School Programs                                    | 100,000               | 100,000               | 173,052                     | (73,052)                                                |
| Pupil Personnel Services                                      | 813,813               | 813,813               | 799,198                     | 14,615                                                  |
| Instructional Staff Services                                  | 489,917               | 489,917               | 528,534                     | (38,617)                                                |
| Administrative Services                                       | 1,639,780             | 1,639,780             | 1,321,685                   | 318,095                                                 |
| Pupil Health                                                  | 254,358               | 254,358               | 173,804                     | 80,554                                                  |
| Business Services                                             | 429,320               | 429,320               | 549,198                     | (119,878)                                               |
| Operation & Maintenance of Plant Services                     | 2,031,054             | 2,031,054             | 1,855,541                   | 175,513                                                 |
| Student Transportation Services                               | 2,276,155             | 2,276,155             | 2,163,660                   | 112,495                                                 |
| Central Services                                              | 312,132               | 312,132               | 284,036                     | 28,096                                                  |
| Other Support Services                                        | 9,000                 | 9,000                 | 9,186                       | (186)                                                   |
| Student Activities                                            | 352,636               | 352,636               | 275,718                     | 76,918                                                  |
| Community Services                                            | 62,098                | 62,098                | 1,009                       | 61,089                                                  |
| Capital Outlay                                                | -                     | -                     | 5,235                       | (5,235)                                                 |
| Debt Service (Principal & Interest)                           | 1,791,211             | 1,791,211             | 1,780,211                   | 11,000                                                  |
| <b>Total Expenditures</b>                                     | <b>\$ 29,524,671</b>  | <b>\$ 29,524,671</b>  | <b>\$ 30,960,024</b>        | <b>\$ (1,435,353)</b>                                   |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (2,710,238)</b> | <b>\$ (2,710,238)</b> | <b>\$ 406,246</b>           | <b>\$ 3,116,484</b>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                             |                                                         |
| Sale/Compensation for Fixed Assets                            | \$ -                  | \$ -                  | \$ 228,400                  | \$ 228,400                                              |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ 228,400</b>           | <b>\$ 228,400</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (2,710,238)</b> | <b>\$ (2,710,238)</b> | <b>\$ 634,646</b>           | <b>\$ 3,344,884</b>                                     |
| FUND BALANCE - JULY 1, 2020 (Deficit)                         | -                     | -                     | (6,541,341)                 | (6,541,341)                                             |
| <b>FUND BALANCE - JUNE 30, 2021 (Deficit)</b>                 | <b>\$ (2,710,238)</b> | <b>\$ (2,710,238)</b> | <b>\$ (5,906,695)</b>       | <b>\$ (3,196,457)</b>                                   |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

|                                                                               | <b>FOOD<br/>SERVICES</b> |
|-------------------------------------------------------------------------------|--------------------------|
| <b>ASSETS</b>                                                                 |                          |
| <b>Current Assets:</b>                                                        |                          |
| Cash and Cash Equivalents                                                     | \$ 16,269                |
| Due from Other Governments                                                    | 20,414                   |
| Due from Other Funds                                                          | 979,201                  |
| Prepaid Expense                                                               | 71,777                   |
| Inventories                                                                   | 23,528                   |
| <b>TOTAL CURRENT ASSETS</b>                                                   | <b>\$ 1,111,189</b>      |
| <b>Noncurrent Assets:</b>                                                     |                          |
| Machinery and Equipment                                                       | \$ 1,119,642             |
| Accumulated Depreciation                                                      | (629,062)                |
| <b>TOTAL NONCURRENT ASSETS</b>                                                | <b>\$ 490,580</b>        |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 482,127</b>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                        |                          |
| Deferred Outflows Related to Pension                                          | \$ 115,567               |
| Deferred Outflows Related to OPEB                                             | 4,154                    |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                   | <b>\$ 119,721</b>        |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                        | <b>\$ 1,721,490</b>      |
| <b>LIABILITIES</b>                                                            |                          |
| <b>Current Liabilities:</b>                                                   |                          |
| Accounts Payable                                                              | \$ 17,310                |
| Unearned Revenue                                                              | 18,942                   |
| <b>TOTAL CURRENT LIABILITIES</b>                                              | <b>\$ 36,252</b>         |
| <b>Noncurrent Liabilities:</b>                                                |                          |
| Net Pension Liability                                                         | \$ 725,050               |
| Net OPEB Liability                                                            | 31,700                   |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                           | <b>\$ 756,750</b>        |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 793,002</b>        |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                         |                          |
| Deferred Inflows Related to Pension                                           | \$ 22,625                |
| Deferred Inflows Related to OPEB                                              | 1,250                    |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>\$ 23,875</b>         |
| <b>NET POSITION</b>                                                           |                          |
| Net Investment in Capital Assets                                              | \$ 490,580               |
| Unrestricted                                                                  | 414,033                  |
| <b>TOTAL NET POSITION</b>                                                     | <b>\$ 904,613</b>        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 1,721,490</b>      |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

| <u>OPERATING REVENUES</u>                     | <u>FOOD SERVICES</u> |
|-----------------------------------------------|----------------------|
| Food Services Revenue                         | \$ 5,868             |
| <b>Total Operating Revenues</b>               | <b>\$ 5,868</b>      |
| <br>                                          |                      |
| <u>OPERATING EXPENSES</u>                     |                      |
| Salaries                                      | \$ 132,441           |
| Employee Benefits                             | 61,523               |
| Purchased Professional/Technical Services     | 16,019               |
| Purchased Property Service                    | 14,690               |
| Supplies                                      | 355,533              |
| Other Operating Expenditures                  | 504                  |
| Depreciation Expense                          | 48,597               |
| <b>Total Operating Expenses</b>               | <b>\$ 629,307</b>    |
| <br>                                          |                      |
| <b>OPERATING INCOME (LOSS)</b>                | <b>\$ (623,439)</b>  |
| <br>                                          |                      |
| <u>NONOPERATING REVENUES (EXPENSES)</u>       |                      |
| State Sources                                 | \$ 65,613            |
| Federal Sources                               | 539,204              |
| Refund of Prior Year Expenses                 | 43                   |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>\$ 604,860</b>    |
| <br>                                          |                      |
| <b>CHANGE IN NET POSITION</b>                 | <b>\$ (18,579)</b>   |
| <br>                                          |                      |
| NET POSITION - JULY 1, 2020                   | 923,192              |
| <br>                                          |                      |
| <b>NET POSITION - JUNE 30, 2021</b>           | <b>\$ 904,613</b>    |

The accompanying notes are an integral part of these financial statements



**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                                                                                                              | <b><u>FOOD<br/>SERVICES</u></b> |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                           |                                 |
| Cash Received from Users                                                                                     | \$ 5,868                        |
| Cash Payments to Employees for Services                                                                      | (190,424)                       |
| Cash Payments to Suppliers for Goods and Services                                                            | (464,126)                       |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                      | <b><u>\$ (648,682)</u></b>      |
| <b><u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u></b>                                                   |                                 |
| Capital Purchases                                                                                            | \$ (8,860)                      |
| <b>Net Cash Provided (Used) by Capital Financing Activities</b>                                              | <b><u>\$ (8,860)</u></b>        |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                               |                                 |
| State Sources                                                                                                | \$ 65,263                       |
| Federal Sources                                                                                              | 505,331                         |
| Refund of Prior Year Expenses                                                                                | 43                              |
| Net Advances from Other Funds                                                                                | (190,165)                       |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                          | <b><u>\$ 380,472</u></b>        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                                             | <b>\$ (277,070)</b>             |
| CASH AND CASH EQUIVALENTS - JULY 1, 2020                                                                     | <u>293,339</u>                  |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2021</b>                                                             | <b><u>\$ 16,269</u></b>         |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>        |                                 |
| Operating Income (Loss)                                                                                      | \$ (623,439)                    |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                 |
| Donated Commodities                                                                                          | 26,383                          |
| Depreciation Expense                                                                                         | 48,597                          |
| (Increase) Decrease in Deferred Outflows of Resources                                                        | (19,410)                        |
| (Increase) Decrease in Prepaid Expenses                                                                      | (4,982)                         |
| (Increase) Decrease in Inventories                                                                           | 7,040                           |
| Increase (Decrease) in Net Pension Liability                                                                 | 39,675                          |
| Increase (Decrease) in Net OPEB Liability                                                                    | 550                             |
| Increase (Decrease) in Deferred Inflows of Resources                                                         | (17,275)                        |
| Increase (Decrease) in Accounts Payable                                                                      | (103,334)                       |
| Increase (Decrease) in Unearned Revenue                                                                      | (2,487)                         |
| <b>Total Adjustments</b>                                                                                     | <b><u>\$ (25,243)</u></b>       |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                                      | <b><u>\$ (648,682)</u></b>      |

**NONCASH NONCAPITAL FINANCING ACTIVITIES:**

During the year, the District received \$26,383 of food commodities from the U.S. Department of Agriculture

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

|                                           | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u></b> | <b><u>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</u></b> |
|-------------------------------------------|---------------------------------------------------|------------------------------------------------------------|
| <b>ASSETS</b>                             |                                                   |                                                            |
| Cash and Cash Equivalents                 | \$ 4,026                                          | \$ 55,588                                                  |
| Investments                               | 76,677                                            | -                                                          |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 80,703</u></b>                           | <b><u>\$ 55,588</u></b>                                    |
| <b>LIABILITIES AND NET POSITION</b>       |                                                   |                                                            |
| <b>LIABILITIES:</b>                       |                                                   |                                                            |
| Other Current Liabilities                 | \$ -                                              | \$ -                                                       |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ -</u></b>                                | <b><u>\$ -</u></b>                                         |
| <b>NET POSITION:</b>                      |                                                   |                                                            |
| Restricted                                | \$ 80,703                                         | \$ 55,588                                                  |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 80,703</u></b>                           | <b><u>\$ 55,588</u></b>                                    |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 80,703</u></b>                           | <b><u>\$ 55,588</u></b>                                    |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                                          | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u></b> | <b><u>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</u></b> |
|------------------------------------------|---------------------------------------------------|------------------------------------------------------------|
| <b>ADDITIONS</b>                         |                                                   |                                                            |
| Interest                                 | \$ 2,195                                          | \$ 7                                                       |
| Unrealized Gains (Losses) on Investments | 3,042                                             | -                                                          |
| Student Club Organization Receipts       | -                                                 | 1,350                                                      |
| <b>TOTAL ADDITIONS</b>                   | <b><u>\$ 5,237</u></b>                            | <b><u>\$ 1,357</u></b>                                     |
| <b>DEDUCTIONS</b>                        |                                                   |                                                            |
| Fees                                     | \$ 84                                             | \$ -                                                       |
| Scholarships Awarded                     | 500                                               | -                                                          |
| Student Club Organization Disbursements  | -                                                 | 7,748                                                      |
| <b>TOTAL DEDUCTIONS</b>                  | <b><u>\$ 584</u></b>                              | <b><u>\$ 7,748</u></b>                                     |
| <b>CHANGE IN NET POSITION</b>            | <b>\$ 4,653</b>                                   | <b>\$ (6,391)</b>                                          |
| NET POSITION - JULY 1, 2020 (Restated)   | <u>76,050</u>                                     | <u>61,979</u>                                              |
| <b>NET POSITION - JUNE 30, 2021</b>      | <b><u>\$ 80,703</u></b>                           | <b><u>\$ 55,588</u></b>                                    |

The accompanying notes are an integral part of these financial statements

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Sto-Rox School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This District serves the surrounding municipalities which include the Township of Stowe and the Borough of McKees Rocks. The School District operates under a locally-elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the School District's activities.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Sto-Rox School District consists of all funds, departments, boards and agencies that are not legally separate from the District. Generally accepted accounting principles defines component units as legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Sto-Rox School District has no component units.

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 13). These organizations are:

- Jointly Governed Organizations:
  - Parkway West Area Vocational Technical School
  - Allegheny Intermediate Unit
  
- Public Entity Risk Pool:
  - Allegheny County Schools Health Insurance Consortium

The financial statements of the Sto-Rox School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The most significant of the School District's accounting policies are as follows:

**FINANCIAL STATEMENT PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibits D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FINANCIAL STATEMENT PRESENTATION (Continued)**

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under generally accepted accounting standards, the focus of fund financial statements is on major funds rather than reporting funds by type. Major funds represent the School District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For Pennsylvania school districts, the General Fund and Food Service Fund are always considered major funds. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The fair value of donated commodities used during the year is reported in the operating statements as an expense with a like amount reported as part of federal source revenue.

Fiduciary funds are reported using the economic resources measurement focus.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Sto-Rox School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2021 under the modified accrual basis are 1) delinquent real estate taxes collected by the district within 60 days following the close of the fiscal year, 2) certain Act 511 taxes, 3) federal and state subsidies earned in the fiscal year 2020-2021, and 4) other miscellaneous revenues earned in fiscal year 2020-2021 but received subsequent to June 30, 2021. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2021, are those for which the Board of Education's intention was to expense these items as budgeted for the 2020-2021 official budget, and for which the District has incurred an obligation during 2021, but has not paid as of June 30, 2021.

Allocations of costs such as depreciation and amortization expense, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

The following are the School District's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The General Fund is used to account for all financial resources not required to be accounted for in some other fund. The General Fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL RESERVE FUND** - The Capital Reserve Fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of general obligation bonds.

**CAPITAL PROJECT FUND** - The Capital Project Fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through donations and transfers from the General Fund.

The District did not have non-major governmental funds at June 30, 2021.

**Proprietary Funds** – The Proprietary Fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the School District (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund, which accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Custodial funds report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The School District maintains one private-purpose trust fund. The private-purpose trust fund accounts for student scholarships and is funded through the A.E. Lawson Scholarship Fund and the Trapuzzano Scholarship Fund. The School District's Custodial Fund is comprised of the various student organization activity accounts administered by the District on behalf of the various student organizations.

**BUDGETS**

On May 21, 2020, the Sto-Rox School District adopted its fiscal year June 30, 2021 annual budget for the General Fund totaling \$ 29,524,671 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual basis of accounting in accordance with generally accepted accounting principles. The original and final budgetary amounts are reflected in these financial statements (Exhibit G). Actual expenditures exceeded budgeted expenditures for fiscal year ended June 30, 2021 as reflected in Exhibit G. All annual appropriations of the General Fund lapse at year-end.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BUDGETS (Continued)**

The School District uses the following procedures in establishing this budgetary data:

- a. Prior to May of the preceding fiscal year, the school district prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the revenues and other sources of funds used to finance these expenditures.
- b. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
- c. A meeting of the Board of Education is then held for the purpose of adopting the proposed budget. The meeting may only be held after 10 days of public notification.
- d. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
- e. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.
- f. Budgetary transfers are permitted after the first 90 days of the school district's fiscal year.

**CASH AND CASH EQUIVALENTS**

For the purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months, with the exception of those short-term investments through PSDLAF.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Sto-Rox School District is permitted to invest funds consistent with sound business practices in the following types of investments:

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Sto-Rox School District include deposits pooled for investment purposes with the Pennsylvania School District Liquid Asset Fund (PSDLAF). PSDLAF funds are stated at amortized cost, which approximates market value. There were no deposit and investment transactions during the year that were in violation of state statutes.



**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities' column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$5,000. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress (if applicable), are depreciated using the straight-line method over the following useful lives:

| <u>CATEGORY</u>          | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS<br/>TYPE<br/>ACTIVITIES</u> |
|--------------------------|------------------------------------|-----------------------------------------|
| Land Improvements        | 20 years                           | N/A                                     |
| Buildings & Improvements | 20-50 years                        | N/A                                     |
| Equipment & Vehicles     | 5-15 years                         | 5-15 years                              |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**LONG-TERM DEBT FINANCING COSTS**

Bond issuance costs are recorded as expenditures in the governmental activities and governmental fund financial statements in the year paid. The District did not incur bond issuance costs during the 2020-2021 fiscal year.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of applicable GASB Statements. Sick leave benefits are accrued as a liability at the rate of \$40 per day for Administrators up to a maximum of \$6,000 (150 days). Teachers sick leave benefits are accrued at \$35 per day with no maximum, full-time support staff accrue at \$30 per day with no maximum and part-time support staff accrue at a rate of \$10 per day for the first 50 days, \$12 per day for the second 50 days and \$15 per day over 100 days. In addition to the above sick day pay policy, administrators and support staff can accumulate and receive compensation for unused vacation pay. Any unused vacation days will be paid at a daily rate commensurate to the employee's current salary.

The entire compensated absences liability of \$174,900 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' 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 the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' 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 the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 11.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H). In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)**

However, the non-current portion of compensated absences, retirement incentives, retiree health benefits and health insurance consortium liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has two items that qualify for reporting in this category. They are deferred outflows related to the School District' pension and OPEB plans, reported on the statement of net position (Exhibit A).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The School District has three items that qualify for reporting in this category. They are delinquent real estate taxes, reported on the governmental funds balance sheet (Exhibit C), and deferred inflows related to the School District's pension and OPEB plans, reported on the statement of net position (Exhibit A).

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION (Continued)**

- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. The balance of Capital Reserve Fund monies at June 30, 2021 totaling \$85,094 is restricted under Pennsylvania Municipal Code Section 1431.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. As of June 30, 2021, the District had a governmental activities deficit unrestricted net position of \$22,985,711.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact. At June 30, 2021 the nonspendable fund balance was \$29,217 for prepaid expenses.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. The balance of Capital Reserve Fund monies at June 30, 2021 totaling \$85,094 is restricted under Pennsylvania Municipal Code Section 1431.
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. The District had a deficit General Fund balance of \$5,935,912 at June 30, 2021.

The School District establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Business Manager.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

Act 48 of 2003 prohibits school districts from increasing real property taxes beyond the annual index increase permitted by law, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Sto-Rox School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures for the 2021-2022 fiscal year.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Sto-Rox School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are 1) state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture and 2) refund of prior year expenses. The District did not have non-operating expenses during the 2020-2021 fiscal year.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statement were adopted for the School District's 2020-2021 financial statements:

**GASB issued Statement No. 84, 'Fiduciary Activities'.** The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries (see Note 15).

**GASB issued Statement No. 90, 'Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)'.** The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS**

**GASB issued Statement No. 87, 'Leases'.** The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

**GASB issued Statement No. 89, 'Accounting for Interest Cost Incurred before the end of a Construction Period'.** The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

**GASB issued Statement No. 91, 'Conduit Debt Obligations'.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions of this Statement are effective for the School District's June 30, 2023 financial statements.

**GASB issued Statement No. 92, 'Omnibus 2020'.** The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of GASB Statement Nos. 73, 74, 84, and 87. In addition the Statement addresses various topics and includes specific provisions concerning the following:

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (ARO) in a government acquisition
- Reporting by entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

**GASB issued Statement No. 93, 'Replacement of Interbank Offered Rates'.** The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an interbank offering rate (IBOR). The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

**GASB issued Statement No. 94, 'Public-Private and Public-Public Partnerships and Availability Payment Arrangements'.** The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The provisions of this Statement are effective for the School District's June 30, 2023 financial statements.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS (Continued)**

**GASB issued Statement No. 96**, ‘*Subscription-Based Information Technology Arrangements*’. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The provisions of this Statement are effective for the School District’s June 30, 2023 financial statements.

**GASB issued Statement No. 97**, ‘*Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*’. The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensations plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the School District’s June 30, 2022 financial statements.

**GASB issued Statement No. 98**, ‘*The Annual Comprehensive Financial Report*’. This Statement establishes the term *annual comprehensive financial report and its acronym ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for the School District’s June 30, 2022 financial statements.

The effects of implementing these Statements on the School District’s financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At June 30, 2021, Sto-Rox School District had the following bank deposit balances and carrying values on its cash and cash equivalents:

|                           | <b><u>BANK<br/>BALANCE</u></b> | <b><u>CARRYING<br/>VALUE</u></b> |
|---------------------------|--------------------------------|----------------------------------|
| General Fund              | \$ 587,323                     | \$ 524,307                       |
| Enterprise Fund           | 16,269                         | 16,269                           |
| Fiduciary Funds           | 59,700                         | 59,614                           |
|                           | <b><u>\$ 663,292</u></b>       | <b><u>\$ 600,190</u></b>         |
| CD's shown as investments | 50,000                         | 50,000                           |
| <b>TOTALS</b>             | <b><u>\$ 713,292</u></b>       | <b><u>\$ 650,190</u></b>         |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy complies with Section 440.1 of the Public School Code of 1949 with the primary objectives being safety, liquidity and yield. As of June 30, 2021, \$459,265 of the School District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. The District's investment policy requires a written safe keeping agreement and/or Act 72 agreement with each financial institution acting as depository. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS**

The fair value and maturity term of the District's investments as of June 30, 2021 is as follows:

|                            | <u>Fair Value</u>   | <u>No Stated<br/>Maturity</u> | <u>Credit<br/>Rating</u> |
|----------------------------|---------------------|-------------------------------|--------------------------|
| <b>Governmental Funds:</b> |                     |                               |                          |
| PSDLAF                     | <u>\$ 2,091,209</u> | <u>\$ 2,091,209</u>           | AAAm                     |
| <b>Fiduciary Funds:</b>    |                     |                               |                          |
| Money Market Mutual Funds  | <u>\$ 26,677</u>    | <u>\$ 26,677</u>              | n/a                      |

The purpose of the Pennsylvania School District Liquid Asset Fund (PSDLAF) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. These funds are rated by a nationally recognized statistical rating organization (Standard & Poors). PSDLAF does not put any limitations or restrictions on withdrawals.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of default by the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The PSDLAF investment has characteristics of open-end mutual fund, and is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form. The School District does not have a policy that would limit its investment choices to those with certain credit ratings.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has not formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.



**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. 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.

**Concentration of Credit Risk:**

The School District places no limit on the amount it may invest in any one issuer.

**Fair Value Measurements:**

The Sto-Rox School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. Generally accepted accounting standards provide a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.
- **Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.
- **Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PSDLAF are not subject to the provisions of fair value measurements as they are recorded at amortized cost. In addition, certificates of deposit and money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they are recorded at cost.

**NOTE 3 - PROPERTY TAXES**

The Sto-Rox School District levies property taxes July 1 of each fiscal year. The tax millage assessment for the 2020-2021 fiscal year was 24.09 mills, which represents \$24.09 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to September 1. Collections beginning November 1 are assessed a 10% penalty. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy. Unpaid taxes are submitted to the Law Offices of Weiss, Burkhardt, Kramer for collection. The final tax collector reconciliations reflected \$1,114,046 in unpaid 2020 property taxes, which represents 15.2% of the total assessed property taxes (\$7,341,018) for the current fiscal year.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 3 - PROPERTY TAXES (Continued)**

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of \$10,752,314. For purposes of the governmental fund financial statements, the above property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflow of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

Taxes receivable are comprised of the following at June 30, 2021:

|                                                                            |                      |
|----------------------------------------------------------------------------|----------------------|
| Delinquent Property Taxes                                                  | \$ 10,752,314        |
| Delinquent Property Taxes - Collected<br>within 60 Days of Fiscal Year-End | 242,386              |
| Real Estate Transfer Tax                                                   | 25,227               |
| Wage Tax                                                                   | 29,387               |
| Mercantile Tax                                                             | 16,896               |
| Local Service Tax                                                          | 5,840                |
|                                                                            | <b>\$ 11,072,050</b> |

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position and the governmental funds balance sheet, is comprised of the following:

|                               | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS<br/>TYPE<br/>ACTIVITIES</b> |
|-------------------------------|------------------------------------|-----------------------------------------|
| Commonwealth of Pennsylvania: |                                    |                                         |
| State Subsidies               | \$ 1,063,855                       | \$ 818                                  |
| Federal Pass-Through Grants   | 870,333                            | 19,596                                  |
| Allegheny Intermediat Unit    | 238                                | -                                       |
|                               | <b>\$ 1,934,426</b>                | <b>\$ 20,414</b>                        |

**NOTE 5 – OTHER ACCOUNTS RECEIVABLE**

The amount of 'other accounts receivable', as reflected on the government-wide statement of net position (Exhibit A), and the governmental funds balance sheet (Exhibit C), is comprised of \$27,957 of miscellaneous funds due the District at June 30, 2021.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 6 – INTER-FUND RECEIVABLES/PAYABLES/TRANSFERS**

Inter-fund receivables and payables as reflected on the governmental and proprietary funds balance sheets (Exhibits C & H) are as follows:

|                   | <b>RECEIVABLE</b> | <b>PAYABLE</b>    |
|-------------------|-------------------|-------------------|
| General Fund      | \$ -              | \$ 979,201        |
| Food Service Fund | 979,201           | -                 |
|                   | <b>\$ 979,201</b> | <b>\$ 979,201</b> |

Governmental type 'inter-fund' obligations have been eliminated in the government-wide statement of net position. Inter-fund obligations between governmental activities and business-type activities are shown net on the statement of net position as part of the line-item 'internal balances'.

**NOTE 7 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2020-2021 fiscal year is as follows:

|                                                         | <b>Balance<br/>7/1/2020</b> | <b>Additions</b>    | <b>Deductions</b> | <b>Balance<br/>6/30/2021</b> |
|---------------------------------------------------------|-----------------------------|---------------------|-------------------|------------------------------|
| <b>Governmental Activities</b>                          |                             |                     |                   |                              |
| Land                                                    | \$ 2,343,900                | \$ -                | \$ -              | \$ 2,343,900                 |
| Land Improvements                                       | 1,750,377                   | 80,186              | -                 | 1,830,563                    |
| Buildings and Improvements                              | 27,411,340                  | 441,631             | -                 | 27,852,971                   |
| Equipment & Vehicles                                    | 1,336,229                   | -                   | 20,850            | 1,315,379                    |
|                                                         | <b>\$ 32,841,847</b>        | <b>\$ 521,817</b>   | <b>\$ 20,850</b>  | <b>\$ 33,342,813</b>         |
| <b>Less: Accumulated depreciation</b>                   |                             |                     |                   |                              |
| Land Improvements                                       | \$ (1,105,583)              | \$ (54,176)         | -                 | \$ (1,159,759)               |
| Buildings and Improvements                              | (19,033,184)                | (733,828)           | -                 | (19,767,012)                 |
| Equipment & Vehicles                                    | (958,355)                   | (70,300)            | -                 | (1,028,655)                  |
|                                                         | <b>\$ (21,097,122)</b>      | <b>\$ (858,304)</b> | <b>\$ -</b>       | <b>\$ (21,955,426)</b>       |
| <b>Governmental Activities<br/>Capital Assets, Net</b>  | <b>\$ 11,744,725</b>        | <b>\$ (336,487)</b> | <b>\$ 20,850</b>  | <b>\$ 11,387,387</b>         |
| <b>Business-Type Activities</b>                         |                             |                     |                   |                              |
| Furniture and Equipment                                 | \$ 1,110,782                | \$ 8,860            | \$ -              | \$ 1,119,642                 |
| Less: Accumulated Depreciation                          | (580,465)                   | (48,597)            | -                 | (629,062)                    |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b>\$ 530,317</b>           | <b>\$ (39,737)</b>  | <b>\$ -</b>       | <b>\$ 490,580</b>            |

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 7 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                                             |                   |
|---------------------------------------------|-------------------|
| Instruction                                 | \$ 593,981        |
| Instructional Student Support               | 88,060            |
| Administrative and Financial Support        | 101,592           |
| Operation and Maintenance of Plant Services | 65,137            |
| Student Activities                          | 9,534             |
|                                             | <u>\$ 858,304</u> |

**NOTE 8 – UNEARNED REVENUE**

Unearned revenue is comprised of the following at June 30, 2021:

|                                  | <b><u>GOVERNMENT<br/>WIDE<br/>ACTIVITIES</u></b> | <b><u>BUSINESS<br/>TYPE<br/>ACTIVITIES</u></b> |
|----------------------------------|--------------------------------------------------|------------------------------------------------|
| State and Federal Grant Programs | \$ 100,411                                       | \$ -                                           |
| Donated Commodities              | -                                                | 18,942                                         |
|                                  | <u>\$ 100,411</u>                                | <u>\$ 18,942</u>                               |

**NOTE 9 - LONG-TERM LIABILITIES**

**DIRECT BORROWING - CAPITAL APPRECIATION NOTES – REFUNDING SERIES A OF 2009**

On June 29, 2009, the Sto-Rox School District issued Capital Appreciation Notes, Series of 2009 with a maturity value of \$2,230,000 to provide funds for currently refunding the Series of 1998 bond issue and to pay for the costs of issuance of the notes. The notes were issued in denominations of \$5,000 and mature between December 15, 2019 and December 15, 2022. Interest rates range between 4.6% and 4.9%.

**DEFAULT PROVISIONS – CAPITAL APPRECIATION NOTES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Notes, as the same becomes due and payable, the holders of the Notes shall be entitled to certain remedies provided by the Local Government Unit Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Notes shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of Allegheny County. The Act provides any judgement shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies described.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS - SERIES B of 2011**

On September 15, 2011, the Sto-Rox School District issued General Obligation Bonds – Series B of 2011 in the amount of \$14,295,000 to currently refund the outstanding General Obligation Bonds, Series of C of 2003 and pay the costs of issuing and insuring the bonds. The bonds were issued in denominations of \$5,000 with interest payable on June 15 and December 15 each year through maturity. Interest rates range between 2.0 and 4.25% with the bonds maturing on December 15, 2029. The bonds provide for early redemption options for the school district as detailed in the official statement of issue.

**GENERAL OBLIGATION BONDS - SERIES of 2017**

On July 27, 2017, the Sto-Rox School District issued General Obligation Bonds – Series of 2017 in the amount of \$8,345,000 to currently refund a portion of the outstanding General Obligation Bonds, Series of B of 2011 and pay the costs of issuing and insuring the bonds. The bonds were issued in denominations of \$5,000 with interest payable on June 15 and December 15 each year through maturity. Interest rates range between 3.0 and 3.75% with the bonds maturing on December 15, 2029. The bonds provide for early redemption options for the school district as detailed in the official statement of issue.

**DEFAULT PROVISIONS – GENERAL OBLIGATION BONDS**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Local Government Unit Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of Allegheny County. The Act provides any judgement shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies described.

A summary of the Sto-Rox School District's general obligation notes and bonds outstanding at June 30, 2021 is as follows:

| <b>YEAR END<br/>JUNE 30,</b>     | <b>SERIES<br/>2009A<br/>PRINCIPAL</b> | <b>SERIES<br/>2011B<br/>PRINCIPAL</b> | <b>SERIES<br/>2017<br/>PRINCIPAL</b> | <b>INTEREST</b>     | <b>TOTAL</b>         |
|----------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|---------------------|----------------------|
| 2022                             | \$ 354,387                            | \$ 820,000                            | \$ 35,000                            | \$ 284,499          | \$ 1,493,886         |
| 2023                             | 156,354                               | 820,000                               | 395,000                              | 250,886             | 1,622,240            |
| 2024                             | -                                     | 300,000                               | 955,000                              | 212,827             | 1,467,827            |
| 2025                             | -                                     | -                                     | 960,000                              | 181,603             | 1,141,603            |
| 2026                             | -                                     | -                                     | 990,000                              | 153,313             | 1,143,313            |
| 2027-2030                        | -                                     | -                                     | 4,335,000                            | 290,969             | 4,625,969            |
|                                  | <b>\$ 510,741</b>                     | <b>\$ 1,940,000</b>                   | <b>\$ 7,670,000</b>                  | <b>\$ 1,374,097</b> | <b>\$ 11,494,838</b> |
| Accumulated Accreted<br>Interest | <u>393,242</u>                        |                                       |                                      |                     |                      |
| Outstanding Principal            | <u><b>\$ 903,983</b></u>              |                                       |                                      |                     |                      |

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

Interest on the Refunding Series of 2009 Capital Appreciation Bonds is being accreted based on the table of compound accreted values as stated in the Official Statement of Issue. For the 2020-2021 year, \$56,951 of accreted interest was charged to 'Interest on Long-Term Debt' in the Statement of Activities (Exhibit B).

In connection with the School District's various general obligation bond issues, the District received bond discounts. These discounts are being amortized on a straight-line basis over the life of the bond issue. The unamortized amount of bond discount totaling \$175,802 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities column on the government-wide statement of net position. Amortization expense for the year ended June 30, 2021 was \$17,586. This amount was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

**DIRECT BORROWING - CAPITAL LEASE AGREEMENT**

In March of 2018, the Sto-Rox School District entered into a capital lease agreement with PNC Equipment Leasing for computer equipment in the amount of \$281,000. The terms of the lease call for sixty (60) monthly payments of principal and interest totaling \$5,199.93. The interest rate on the lease is 4.196% and the lease is scheduled to expire on March 27, 2023.

**DEFAULT PROVISIONS – CAPITAL LEASE AGREEMENT**

If any Event of Default occurs on the above lease, all commitments and obligations of Lessor, under the lease agreement, immediately will terminate (including any obligation to make further loan advances or disbursements), and at the option of the Lessor, all indebtedness immediately will become due and payable, all without notice of any kind to the School District. The leases also contain provisions that allow the Lessor the right to take possession of the leased equipment.

A summary of the Sto-Rox School District's capital lease agreement outstanding at June 30, 2021 is as follows:

| <b><u>YEAR END</u></b> | <b><u>PRINCIPAL</u></b>  | <b><u>INTEREST</u></b> | <b><u>TOTAL</u></b>      |
|------------------------|--------------------------|------------------------|--------------------------|
| <b><u>JUNE 30,</u></b> |                          |                        |                          |
| 2022                   | \$ 58,706                | \$ 3,693               | \$ 62,399                |
| 2023                   | 60,799                   | 1,182                  | 61,981                   |
|                        | <b><u>\$ 119,505</u></b> | <b><u>\$ 4,875</u></b> | <b><u>\$ 124,380</u></b> |

The following represents the changes in the District's governmental and business-type activities long-term liabilities during the 2020-2021 fiscal year:

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

|                                  | Balance<br>7/1/2020  | Additions           | Reductions          | Balance<br>6/30/2021 | Due Within<br>One Year |
|----------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| <b>Governmental Activities:</b>  |                      |                     |                     |                      |                        |
| General Obligation Bonds         | \$ 10,435,000        | \$ -                | \$ 825,000          | \$ 9,610,000         | \$ 855,000             |
| Direct Borrowings:               |                      |                     |                     |                      |                        |
| Capital Appreciation Note        | 1,492,032            | -                   | 588,049             | 903,983              | 640,000                |
| Leases Payable                   | 171,021              | -                   | 51,516              | 119,505              | 58,706                 |
| Net Pension Liability            | 26,729,625           | 1,547,325           | -                   | 28,276,950           | -                      |
| Net OPEB Liability               | 4,034,419            | 470,599             | -                   | 4,505,018            | -                      |
| Compensated Absences             | 172,202              | 2,698               | -                   | 174,900              | -                      |
|                                  | <b>\$ 43,034,299</b> | <b>\$ 2,020,622</b> | <b>\$ 1,464,565</b> | <b>\$ 43,590,356</b> | <b>\$ 1,553,706</b>    |
| <b>Business-Type Activities:</b> |                      |                     |                     |                      |                        |
| Net Pension Liability            | \$ 685,375           | \$ 39,675           | \$ -                | \$ 725,050           | \$ -                   |
| Net OPEB Liability               | 31,150               | 550                 | -                   | 31,700               | -                      |
|                                  | <b>\$ 716,525</b>    | <b>\$ 40,225</b>    | <b>\$ -</b>         | <b>\$ 756,750</b>    | <b>\$ -</b>            |

**NOTE 10 - PENSION PLAN**

The Sto-Rox School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

PSERS is a governmental cost-sharing multiple-employer defined-benefit 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. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a 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) preserves 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).

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 – 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 three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five 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 Class 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.

**Contribution Rates**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (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 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (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 10.30% (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 years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

**Employer Contributions** – Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2021, the rate of employer's contribution was 33.69% (33.51% employer pension rate and .18% Act 5 defined contribution rate) 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 employer were \$2,758,666 for the year ended June 30, 2021.



**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 – PENSION PLAN (Continued)**

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

At June 30, 2021, the School District reported a liability of \$29,002,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The School 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 measurement date), the School District's proportion was .0589% which was an increase of .0003% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$2,850,718. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                 | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience               | \$ 76,000                                 | \$ 695,000                               |
| Changes in assumptions                                          | -                                         | -                                        |
| Net difference between projected and actual investment earnings | 1,275,000                                 | -                                        |
| Changes in proportion                                           | 513,000                                   | 210,000                                  |
| Contributions subsequent to the measurement date                | 2,758,666                                 | -                                        |
|                                                                 | <u>\$ 4,622,666</u>                       | <u>\$ 905,000</u>                        |

The \$2,758,666 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Measurement<br/>Date<br/>Year ended<br/>June 30,</u> | <u>Reporting<br/>Date<br/>Year ended<br/>June 30,</u> | <u>Amortization<br/>Amount</u> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2021                                                    | 2022                                                  | \$ (51,000)                    |
| 2022                                                    | 2023                                                  | 217,000                        |
| 2023                                                    | 2024                                                  | 413,000                        |
| 2024                                                    | 2025                                                  | 380,000                        |

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 – PENSION PLAN (Continued)**

**Actuarial Assumptions**

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- 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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

**Investment Asset Allocation**

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.

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|-------------------------------------------------------|
| Global public equity | 15.0%                        | 5.20%                                                 |
| Private equity       | 15.0%                        | 7.20%                                                 |
| Fixed Income         | 36.0%                        | 1.10%                                                 |
| Commodities          | 8.0%                         | 1.80%                                                 |
| Absolute return      | 10.0%                        | 2.50%                                                 |
| Infrastructure/MLP's | 6.0%                         | 5.70%                                                 |
| Real estate          | 10.0%                        | 5.50%                                                 |
| Risk parity          | 8.0%                         | 3.30%                                                 |
| Cash                 | 6.0%                         | -1.00%                                                |
| Financing (LIBOR)    | -14.0%                       | -0.70%                                                |
|                      | <u>100%</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, 2020.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 10 – PENSION PLAN (Continued)**

**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.

**Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|                                                                       | <b>1%<br/>Decrease<br/>6.25%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.25%</b> | <b>1%<br/>Increase<br/>8.25%</b> |
|-----------------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| School District's proportionate share of<br>the net pension liability | \$ 35,881,000                    | \$ 29,002,000                                  | \$ 23,174,000                    |

**Pension 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](http://www.psers.pa.gov).

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser 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's Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Premium Assistance Eligibility Criteria**

Retirees of the System (PSERS) can participate in the Premium Assistance program 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 service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program

**Plan Description**

Sto-Rox School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-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. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance coverage through either their school employer or PSER's Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

**Contributions**

The District's contractually required contribution for the fiscal year ended June 30, 2021 was 0.82% 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. During the 2020-2021 fiscal year, the Sto-Rox School District contributed \$67,145 to the premium assistance program.

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

At June 30, 2021, the District reported a liability of \$1,268,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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. At June 30, 2020 (the measurement date), the district's proportion was 0.0587%, which is an increase of .0001% from its proportion measured as of June 30, 2019.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2021, Sto-Rox School District recognized OPEB expense of \$67,135. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                             | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience           | \$ 12,000                                 | \$ -                                     |
| Changes in assumptions                                      | 52,000                                    | 28,000                                   |
| Difference between projected and actual investment earnings | 2,000                                     | -                                        |
| Changes in proportion                                       | 33,000                                    | 22,000                                   |
| Contributions subsequent to the measurement date            | 67,145                                    | -                                        |
|                                                             | <u>\$ 166,145</u>                         | <u>\$ 50,000</u>                         |

The \$67,145 reported as deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement 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:

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amortization<br>Amount |
|-----------------------------------------------|---------------------------------------------|------------------------|
| 2021                                          | 2022                                        | \$ 8,000               |
| 2022                                          | 2023                                        | 7,000                  |
| 2023                                          | 2024                                        | 7,000                  |
| 2024                                          | 2025                                        | 11,000                 |
| 2025                                          | 2026                                        | 12,000                 |
| Thereafter                                    | Thereafter                                  | 4,000                  |

**Actuarial Assumptions**

The Total OPEB liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial Assumptions (Continued)**

- Actuarial Cost Method – Entry Age Normal – level % of pay
- Investment Return – 2.79% based on the S&P 20 Year Municipal Bond Rate.
- Salary Increases – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is 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 MP-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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

**Investment Asset Allocation**

Investments consist primarily of short-term assets designed to protect the principal of 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.

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|------------------------|------------------------------|-------------------------------------------------------|
| Cash                   | 50.3%                        | -1.00%                                                |
| US Core Fixed Income   | 46.5%                        | -0.10%                                                |
| Non-US Developed Fixed | 3.2%                         | -0.10%                                                |
|                        | <u>100%</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, 2020.

**STO-ROX SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 2.66%. 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 date. 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 2.66% which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity 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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year and 688 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 net OPEB liability of the District as of the June 30, 2020 measurement date, calculated using current Healthcare cost trends as well as what the District net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                    | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|--------------------|------------------------|------------------------------------|------------------------|
| Net OPEB Liability | \$ 1,268,000           | \$ 1,268,000                       | \$ 1,268,000           |

**Sensitivity of the Net OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

|                    | <b>1%<br/>Decrease<br/>1.66%</b> | <b>Current Discount<br/>Rate<br/>2.66%</b> | <b>1%<br/>Increase<br/>3.66%</b> |
|--------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Net OPEB Liability | \$ 1,446,000                     | \$ 1,268,000                               | \$ 1,121,000                     |

**STO-ROX SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**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](http://www.psers.pa.gov).

**DISTRICT - POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

**Plan Description**

The Sto-Rox School District administers a multi-employer defined benefit health care plan (the Plan). The Plan provides for post-employment health care benefits to all eligible employees per the terms of the District's collective bargaining agreements. Employees are eligible for postretirement medical coverage provided they have at least 35 years of service or have reached age 60 with at least one year of service.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

**Funding Policy**

The contribution requirements of plan members and the School District are established and may be amended by the Sto-Rox Board of Directors. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid to fund the health care benefits provided to eligible participants. The District will pay the premium for Single coverage. For retirees with any coverage other than Single, the retiree must contribute the difference between that rate and the Single rate. During the 2020-2021 fiscal year, the District paid \$42,611 for health care benefits for 10 retirees. The retirees did not contribute during the 2020-2021 fiscal year.

**Participant Data**

The July 1, 2019 valuation reflected the following participant data:

|           | <b>PARTICIPANT<br/>DATA</b> |
|-----------|-----------------------------|
| Actives   | 95                          |
| Inactives | 6                           |
| Total     | 101                         |

**Changes in the Total OPEB Liability**

The District's total OPEB liability of \$3,268,718 was measured as of July 1, 2020, and was determined by an actuarial valuation performed as of July 1, 2019. As the District's OPEB plan is unfunded, the total OPEB liability is equal to the net OPEB liability.



**STO-ROX SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTH CARE BENEFIT PLAN (Continued)**

**Changes in the Total OPEB Liability (Continued)**

|                                                    |    |                         |
|----------------------------------------------------|----|-------------------------|
| Balance at July 1, 2020                            | \$ | 2,819,569               |
| <b>Changes for the year:</b>                       |    |                         |
| Service cost                                       |    | 119,939                 |
| Interest                                           |    | 98,685                  |
| Changes of benefit terms                           |    | -                       |
| Differences between expected and actual experience |    | -                       |
| Changes in assumptions or other inputs *           |    | 312,692                 |
| Benefit payments                                   |    | <u>(82,167)</u>         |
| Net Changes                                        |    | 449,149                 |
| Balance at June 30, 2021                           | \$ | <u><u>3,268,718</u></u> |

**Actuarial Assumptions**

- Cost Method – Entry Age Normal as a Level Percentage of Pay.
- Mortality – Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2019.
- Discount Rate – 2.21% based on the Bond Buyers 20-Bond Index.
- Inflation Rate – 3%.
- Salary Increases – 2.5%.
- Investment Return – Was not utilized in this valuation since there are no assets.
- Healthcare Trend – 2020-2021 fiscal year 6.75% decreasing on a graduated basis to 4.5% for fiscal years 2029-2030 and later.
- Percent Married – Actual spouse information was utilized for current retirees. For the active population, it was assumed that 20% of retirees will elect to cover a spouse at retirement. Females are assumed to be three years younger than males.
- Participation – It is assumed that 100% of eligible retirees will participate in the retiree medical program.
- Aging Factors – Aging factors used for developing starting costs are from “Health Care Costs – From Birth to Death”, by Dale H. Yamamoto.
- Withdrawal Rates – Graduated scale from 20.0% at age 25 to 0% at age 55.
- Retirement Rates – Varying scale from 5% from ages 55-57 to 100% at age 65.
- Disability – None assumed.

**OPEB Expense**

|                                                    |    | <u>AMOUNT</u>         |
|----------------------------------------------------|----|-----------------------|
| Service cost                                       | \$ | 119,939               |
| Interest                                           |    | 98,685                |
| Changes of benefit terms                           |    | -                     |
| Differences between expected and actual experience |    | 40,633                |
| Changes of assumptions or other inputs             |    | 45,072                |
| OPEB Expense                                       | \$ | <u><u>304,329</u></u> |

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTH CARE BENEFIT PLAN (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, Sto-Rox School District recognized OPEB expense of \$250,271. At June 30, 2021, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                        | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected<br>and actual experience  | \$ 629,699                                | \$ -                                     |
| Changes of assumptions or other inputs                 | 703,298                                   | 18,385                                   |
| Benefit payments subsequent to<br>the measurement date | 96,669                                    | -                                        |
|                                                        | <b>\$ 1,429,666</b>                       | <b>\$ 18,385</b>                         |

The \$96,669 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 for the measurement year ended June 30, 2021.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2021                                                    | 2022                                                  | \$ 85,705                      |
| 2022                                                    | 2023                                                  | 85,705                         |
| 2023                                                    | 2024                                                  | 85,705                         |
| 2024                                                    | 2025                                                  | 85,705                         |
| 2025                                                    | 2026                                                  | 85,705                         |
| Thereafter                                              | Thereafter                                            | 886,087                        |

**Sensitivity of the total OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 2.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTH CARE BENEFIT PLAN (Continued)**

**Sensitivity of the total OPEB liability to changes in the Discount Rate (Continued)**

|                      | <b>1%</b>           | <b>Current</b>      | <b>1%</b>           |
|----------------------|---------------------|---------------------|---------------------|
|                      | <b>Decrease</b>     | <b>Discount</b>     | <b>Increase</b>     |
|                      | <b>1.21%</b>        | <b>Rate</b>         | <b>3.21%</b>        |
|                      | <b>2.21%</b>        | <b>2.21%</b>        | <b>3.21%</b>        |
| Total OPEB Liability | <b>\$ 3,560,368</b> | <b>\$ 3,268,718</b> | <b>\$ 2,998,351</b> |

**Sensitivity of the total OPEB liability to changes in the Health care Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current health care cost trend rate:

|                      | <b>1%</b>           | <b>Current</b>      | <b>1%</b>           |
|----------------------|---------------------|---------------------|---------------------|
|                      | <b>Decrease</b>     | <b>Trend</b>        | <b>Increase</b>     |
|                      | <b>1.21%</b>        | <b>Rates</b>        | <b>3.21%</b>        |
|                      | <b>2.21%</b>        | <b>2.21%</b>        | <b>3.21%</b>        |
| Total OPEB Liability | <b>\$ 2,919,748</b> | <b>\$ 3,268,718</b> | <b>\$ 3,675,084</b> |

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

**PARKWAY WEST CAREER & TECHNOLOGY CENTER**

The Sto-Rox School District, in conjunction with eleven other Western Pennsylvania School Districts, fund the operating budget of the Parkway West Career & Technology Center. The technical school is designed to teach students trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Parkway West Career & Technology Center. In addition to tuition, the district makes rental payments based on the percentage of 11th and 12th graders enrolled in all twelve districts. The percentage is applied to the rental budget. A representative from each district's school board sits on the board of the technical school. The Parkway West Career & Technology Center issues separate financial statements annually which can be obtained by contacting the Parkway West Career & Technology Center directly.

**ALLEGHENY INTERMEDIATE UNIT**

The Sto-Rox School District participates with 42 other School Districts and 5 Vocational-Technical schools located in Allegheny County in the Allegheny Intermediate Unit #3 (AIU3). The AIU3 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 42 school districts, as well as nonpublic schools and other institutions, located within the aforementioned counties. The AIU3 provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**ALLEGHENY INTERMEDIATE UNIT (Continued)**

The Allegheny Intermediate Unit is governed by a thirteen (13) member board appointed by the 42 participating school districts on a rotating basis. The School District contributed \$16,609 to AIU3 for operating contributions, transportation recovery, and institutionalized children through state subsidy withholdings for the year ended June 30, 2021. Allegheny Intermediate Unit issues separate financial statements annually which can be obtained by contacting the AIU directly.

**NOTE 13 - RISK MANAGEMENT**

**GENERAL INSURANCE**

The Sto-Rox School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**HEALTH INSURANCE**

The Sto-Rox School District is one of sixty members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium by all member school districts totaled \$330,541,120 for the year ended June 30, 2021, with Sto-Rox School District contributing \$1,831,108 for the 2020-2021 fiscal year. Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year-end after withdrawal. As of June 30, 2021, the net position available for benefits of the Consortium was \$63,689,030, of which \$375,446 was attributable to the Sto-Rox School District.

**NOTE 14 - CONTINGENCIES**

**STATE AND FEDERAL SUBSIDIES**

The Sto-Rox School District's state and federally funded programs are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The District is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LEGAL MATTERS**

The Sto-Rox School District, in the normal course of operations, is party to various legal matters normally associated with school district such as real estate tax assessment appeals, personnel wage and benefits, student education and athletics, construction projects, and other miscellaneous legal matters.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 14 – CONTINGENCIES (Continued)**

**LEGAL MATTERS (Continued)**

The District is not aware of any current claims, litigation or assessments against the District that would adversely impact the financial position of the District as of the date of this report.

**COVID-19 IMPLICATIONS**

Early in 2020, a new strain of the coronavirus (COVID-19) began its global pandemic spread, including to the United States, negatively affecting many aspects of society and the economy. The impact of the virus is on-going and varies from region to region and from day to day, and any significant additional spreading of the virus could adversely affect the School District's operations and finances. The outbreak of the COVID-19 virus is likely to have a negative impact in 2021-2022 on the global and local economy and, might impact the School District's financial results in 2021-2022 and beyond. Given the dynamic nature of this pandemic, however, the extent to which the COVID-19 virus impacts the School District's results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

**FINANCIAL RECOVERY STATUS**

On March 26, 2020, the Pennsylvania Department of Education placed the Sto-Rox School District in 'Financial Watch Status' pursuant to Section 611-A of the Public School Code. Subsequently, the State Board of Education determined that the School District met the criteria to be placed in 'Financial Recovery Status' pursuant to 22 Pa. Code 18.5. On July 12, 2021, the Secretary of the Pennsylvania Department of Education declared that the Sto-Rox School District is in 'Financial Recovery Status' as defined in Section 621-A of the School Code, and Section 18.5 of Title 22 of the Pennsylvania Code, and is subject to the provisions of Article VI-A of the School Code that apply to '**Moderate Financial Recovery School Districts**' as defined in Section 651-A. As such, the Pennsylvania Department of Education will offer technical assistance to help the District with its financial challenges.

**NOTE 15 – IMPACT OF GASB 84 IMPLEMENTATION**

As noted in Note 1, the Sto-Rox School District adopted the provisions of **GASB Statement No. 84, 'Fiduciary Activities'** during the 2020-2021 fiscal year, effective July 1, 2020. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement is also intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The impact of the School District's implementation of this new standard resulted in the following:

- Student Activity Fund continues to be reported as a fiduciary fund-type, however under the new GASB Statement No. 84 category of fiduciary 'custodial funds' – Student Activity Custodial Fund.
- The Student Activity Custodial Fund requires the presentation of a statement of changes in net position. Prior to July 1, 2020, the Student Activity Fund net position was \$0. Accordingly, to conform with the requirements of GASB Statement No. 84, the July 1, 2020 net position for the Student Activity Custodial Fund was restated to \$61,979 (Exhibit L).

**NOTE 16 – SUBSEQUENT EVENTS**

Management has determined that there are no events subsequent to June 30, 2021 through the September 20, 2022 date of the 'Independent Auditor's Report', which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**STO-ROX SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30.**

| As of the measurement date of June 30,                                                             | <u>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|----------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability                                                 | 0.0589%       | 0.0586%       | 0.0575%       | 0.0593%       | 0.0577%       | 0.0597%       | 0.0629%       | 0.0672%       |
| District's proportionate share of the net pension liability                                        | \$ 29,002,000 | \$ 27,415,000 | \$ 27,603,000 | \$ 29,287,000 | \$ 28,594,000 | \$ 25,859,000 | \$ 24,897,000 | \$ 27,510,000 |
| District's covered payroll                                                                         | \$ 8,244,125  | \$ 8,081,451  | \$ 7,748,199  | \$ 7,898,271  | \$ 7,507,546  | \$ 7,664,388  | \$ 8,025,039  | \$ 8,620,020  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 351.79%       | 339.23%       | 356.25%       | 370.80%       | 380.87%       | 337.39%       | 310.24%       | 319.14%       |
| Plan fiduciary net position as a percentage of the total pension liability                         | 54.32%        | 55.66%        | 54.00%        | 54.00%        | 50.14%        | 54.36%        | 57.24%        | 54.49%        |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**STO-ROX SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

|                                                                     | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                | \$ 2,758,666       | \$ 2,760,136       | \$ 2,636,052       | \$ 2,438,478       | \$ 2,334,446       | \$ 1,889,501       | \$ 1,528,191       | \$ 1,312,688       | \$ 1,022,680       |
| Contribution in relation to the contractually required contribution | <u>(2,758,666)</u> | <u>(2,760,136)</u> | <u>(2,636,052)</u> | <u>(2,438,478)</u> | <u>(2,334,446)</u> | <u>(1,889,501)</u> | <u>(1,528,191)</u> | <u>(1,312,688)</u> | <u>(1,022,680)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| District's covered payroll                                          | \$ 8,096,469       | \$ 8,244,125       | \$ 8,081,451       | \$ 7,748,199       | \$ 7,898,271       | \$ 7,507,546       | \$ 7,664,388       | \$ 8,025,039       | \$ 8,620,020       |
| Contributions as a percentage of covered payroll                    | 34.07%             | 33.48%             | 32.62%             | 31.47%             | 29.56%             | 25.17%             | 19.94%             | 16.36%             | 11.86%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.



**STO-ROX SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**PSERS PLAN**

**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                      | <b><u>2020</u></b> | <b><u>2019</u></b> | <b><u>2018</u></b> | <b><u>2017</u></b> |
|----------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net OPEB liability                                                    | 0.0587%            | 0.0586%            | 0.0575%            | 0.0593%            |
| District's proportionate share of the net OPEB liability                                           | \$ 1,268,000       | \$ 1,246,000       | \$ 1,199,000       | \$ 1,208,000       |
| District's covered payroll                                                                         | \$ 8,244,125       | \$ 8,081,451       | \$ 7,748,199       | \$ 7,898,271       |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered payroll | 15.38%             | 15.42%             | 15.47%             | 15.29%             |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                         | 5.69%              | 5.56%              | 5.56%              | 5.73%              |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**STO-ROX SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS**  
**PSERS PLAN**  
**JUNE 30.**

|                                                                     | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     | <u>2017</u>     |
|---------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually Required Contributions                                | \$ 67,145       | \$ 69,313       | \$ 67,114       | \$ 63,766       | \$ 64,522       |
| Contribution in relation to the contractually required contribution | <u>(67,145)</u> | <u>(69,313)</u> | <u>(67,114)</u> | <u>(63,766)</u> | <u>(64,522)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll                                          | \$ 8,096,469    | \$ 8,244,125    | \$ 8,081,451    | \$ 7,748,199    | \$ 7,898,271    |
| Contributions as a percentage of covered payroll                    | 0.83%           | 0.84%           | 0.83%           | 0.82%           | 0.82%           |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**STO-ROX SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30,**

|                                                         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
|---------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost                                            | \$ 119,939          | \$ 124,019          | \$ 120,683          | \$ 61,116           |
| Interest                                                | 98,685              | 82,641              | 72,842              | 44,110              |
| Change of benefits terms                                | -                   | -                   | -                   | 273,989             |
| Differences between expected and actual experience      | -                   | 547,582             | -                   | 183,807             |
| Changes of assumptions or other inputs                  | 312,692             | 27,119              | (22,063)            | 493,549             |
| Benefit payments                                        | (82,167)            | (97,228)            | (70,716)            | (124,627)           |
| <b>Net Change in Total OPEB Liability</b>               | <b>\$ 449,149</b>   | <b>\$ 684,133</b>   | <b>\$ 100,746</b>   | <b>\$ 931,944</b>   |
| Total OPEB Liability - Beginning of Year                | 2,819,569           | 2,135,436           | 2,034,690           | 1,102,746           |
| <b>Total OPEB Liability - End of Year</b>               | <b>\$ 3,268,718</b> | <b>\$ 2,819,569</b> | <b>\$ 2,135,436</b> | <b>\$ 2,034,690</b> |
| <br>                                                    |                     |                     |                     |                     |
| Covered payroll                                         | \$ 5,873,555        | \$ 5,730,298        | \$ 5,337,524        | \$ 5,207,340        |
| <br>                                                    |                     |                     |                     |                     |
| Total OPEB liability as a percentage of covered payroll | 55.65%              | 49.20%              | 40.01%              | 39.07%              |

This schedule is intended to illustrate information for a ten (10) year period. Information for the ten-year period will be presented as information becomes available.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PSERS PENSION BENEFITS**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2020**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2019**

None

**Changes in Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2020**

The discount rate decreased from 2.79% to 2.66%.

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**  
**(Continued)**

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2010**

The discount rate decreased from 2.98% to 2.79%.

**Changes in Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- 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
- Mortality rates and retirement ages 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.)

**STO-ROX SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**NOTE 3 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB SCHOOL PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

- Discount rate decreased from 3.50% as of 6/30/2020 to 2.21% as of 6/30/2021
- Updated mortality improvement scale to MP-2019
- Updated mortality table to Pri.H-2012 Total Dataset

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The actuarial plan does not disclose actuarial assumptions, if applicable, used in the calculations of Actuarially Determined Contributions.

**STO-ROX  
SCHOOL DISTRICT**

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

# **Mark C. Turnley**

*Certified Public Accountant*

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FAX (724) 384-8908

## **INDEPENDENT AUDITOR'S 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**

### **To the Management and Board of Education Sto-Rox School District**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 Sto-Rox School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sto-Rox School District's basic financial statements, and have issued my report thereon dated September 20, 2022.

### **Internal Control over Financial Reporting**

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-003 that I consider to be material weaknesses.



**To the Management and Board of Education  
Sto-Rox School District**

**Compliance and Other Matters**

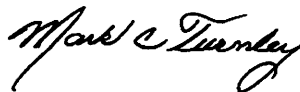
As part of obtaining reasonable assurance about whether the Sto-Rox School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-004.

**Sto-Rox School District's Response to Findings**

Sto-Rox School District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Sto-Rox School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sto-Rox School District'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 Sto-Rox School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

September 20, 2022  
New Brighton, Pennsylvania

# **Mark C. Turnley**

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Certified Public Accountant

1000 3<sup>rd</sup> Avenue  
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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Sto-Rox School District

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the Sto-Rox School District's 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 Sto-Rox School District's major federal programs for the year ended June 30, 2021. The Sto-Rox School District's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Sto-Rox School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Sto-Rox School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Sto-Rox School District's compliance.

#### **Opinion on Each Major Federal Program**

In my opinion, Sto-Rox School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

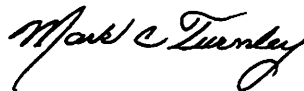
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Sto-Rox School 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 my audit of compliance, I considered the Sto-Rox School 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 my 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, I do not express an opinion on the effectiveness of the Sto-Rox School District's internal control over compliance.

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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

September 20, 2022  
New Brighton, Pennsylvania

**STO-ROX SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| FEDERAL GRANTOR / PROJECT TITLE                                                     | FUNDING SOURCE | ASSISTANCE LISTING NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2020-2021 AMOUNTS PASSED TO SUB-RECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (DEFERRED) REVENUE JULY 1 | REVENUE RECOGNIZED  | EXPENDITURES        | ACCRUED (DEFERRED) REVENUE JUNE 30 |
|-------------------------------------------------------------------------------------|----------------|---------------------------|-----------------------------|--------------------------------------|----------------------|--------------------------------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|
| <b>U.S. Department of Education:</b>                                                |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Passed through Pa. Department of Education:                                         |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Title I                                                                             | Indirect       | 84.010                    | 013-210421                  | 7/1/20-9/30/21                       | \$ 1,125,585         | \$ -                                       | \$ 614,445                 | \$ -                              | \$ 1,087,892        | \$ 1,087,892        | \$ 473,547                         |
| Title I                                                                             | Indirect       | 84.010                    | 013-200421                  | 7/1/19-9/30/20                       | 1,138,491            | -                                          | 75,899                     | 71,607                            | 4,292               | 4,292               | -                                  |
| Title I                                                                             | Indirect       | 84.010                    | 042-190942                  | 8/8/19-9/30/20                       | 185,600              | -                                          | 13,257                     | (20,044)                          | 33,301              | 33,301              | -                                  |
| Title II - Improving Teacher Quality                                                | Indirect       | 84.367                    | 020-210421                  | 7/1/20-9/30/21                       | 99,184               | -                                          | 91,061                     | -                                 | 53,493              | 53,493              | (37,568)                           |
| Title II - Improving Teacher Quality                                                | Indirect       | 84.367                    | 020-200421                  | 7/1/19-9/30/20                       | 102,048              | -                                          | 40,818                     | (3,853)                           | 44,671              | 44,671              | -                                  |
| Title II - Improving Teacher Quality                                                | Indirect       | 84.367                    | 020-190421                  | 7/1/18-9/30/19                       | 98,007               | -                                          | 12,095                     | -                                 | -                   | -                   | -                                  |
| Title IV                                                                            | Indirect       | 84.424                    | 144-210421                  | 7/1/20-9/30/21                       | 88,352               | -                                          | 66,352                     | -                                 | 23,510              | 23,510              | (62,842)                           |
| Title IV                                                                            | Indirect       | 84.424                    | 144-200421                  | 7/1/19-9/30/20                       | 87,933               | -                                          | 17,587                     | (47,043)                          | 64,630              | 64,630              | -                                  |
| COVID-19 - ESSER I Fund Local                                                       | Indirect       | 84.425D                   | 200-200421                  | 3/13/20-9/30/21                      | 935,197              | -                                          | 935,197                    | -                                 | 935,197             | 935,197             | (1)                                |
| COVID-19 - ESSER II Fund Local                                                      | Indirect       | 84.425D                   | 200-210421                  | 3/13/20-9/30/21                      | 4,158,434            | -                                          | 289,810                    | -                                 | 676,224             | 676,224             | (1)                                |
| COVID-19 - GEER                                                                     | Indirect       | 84.425C                   | 254-200421                  | 3/13/20-9/30/21                      | 69,443               | -                                          | 32,420                     | -                                 | 42,792              | 42,792              | (1)                                |
| <b>Total Passed through Pa. Department of Education</b>                             |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 2,209,941</b>        | <b>\$ 12,762</b>                  | <b>\$ 2,966,102</b> | <b>\$ 2,966,102</b> | <b>\$ 789,923</b>                  |
| Passed through Pa. Commission on Crime and Delinquency:                             |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| COVID-19 - ESSER I Fund Local                                                       | Indirect       | 84.425D                   | 2020-ES-01-35412            | 3/13/20-9/30/22                      | \$ 54,298            | \$ -                                       | \$ 54,298                  | \$ -                              | \$ 54,298           | \$ 54,298           | (1) \$ -                           |
| <b>Total Passed through Pa. Commission on Crime and Delinquency</b>                 |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 54,298</b>           | <b>\$ -</b>                       | <b>\$ 54,298</b>    | <b>\$ 54,298</b>    | <b>\$ -</b>                        |
| Passed through Pa. Department of Education (Special Education Cluster):             |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| COVID-19 SECIM                                                                      | Indirect       | 84.027                    | 252-200421                  | 7/1/20-9/30/21                       | \$ 21,123            | \$ -                                       | \$ 21,123                  | \$ -                              | \$ 21,123           | \$ 21,123           | \$ -                               |
| <b>Total Passed through Pa. Department of Education (Special Education Cluster)</b> |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 21,123</b>           | <b>\$ -</b>                       | <b>\$ 21,123</b>    | <b>\$ 21,123</b>    | <b>\$ -</b>                        |
| Passed through Allegheny Intermediate Unit (Special Education):                     |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| IDEA                                                                                | Indirect       | 84.027                    | 062-21-0-003                | 7/1/20-9/30/21                       | \$ 303,518           | \$ -                                       | \$ 303,518                 | \$ -                              | \$ 303,518          | \$ 303,518          | \$ -                               |
| IDEA - Section 619                                                                  | Indirect       | 84.173                    | 131-21-0-003                | 7/1/20-9/30/21                       | 238                  | -                                          | -                          | -                                 | 238                 | 238                 | 238                                |
| <b>Total Passed through Allegheny Intermediate Unit (Special Education Cluster)</b> |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 303,518</b>          | <b>\$ -</b>                       | <b>\$ 303,756</b>   | <b>\$ 303,756</b>   | <b>\$ 238</b>                      |
| <b>Total Special Education Cluster</b>                                              |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 324,641</b>          | <b>\$ -</b>                       | <b>\$ 324,879</b>   | <b>\$ 324,879</b>   | <b>\$ 238</b>                      |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                                |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 2,587,880</b>        | <b>\$ 12,762</b>                  | <b>\$ 3,345,279</b> | <b>\$ 3,345,279</b> | <b>\$ 770,161</b>                  |
| <b>U.S. Department of Treasury:</b>                                                 |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Passed through Pa. Commission on Crime and Delinquency:                             |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Coronavirus Relief Fund (CARES Act)                                                 | Indirect       | 21.019                    | 2020-CS-01-33883            | 3/1/20-10/30/20                      | \$ 185,275           | \$ -                                       | \$ 185,275                 | \$ -                              | \$ 185,275          | \$ 185,275          | \$ -                               |
| <b>Total Passed through Pa. Commission on Crime and Delinquency</b>                 |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 185,275</b>          | <b>\$ -</b>                       | <b>\$ 185,275</b>   | <b>\$ 185,275</b>   | <b>\$ -</b>                        |
| <b>TOTAL DEPARTMENT OF TREASURY</b>                                                 |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 185,275</b>          | <b>\$ -</b>                       | <b>\$ 185,275</b>   | <b>\$ 185,275</b>   | <b>\$ -</b>                        |
| <b>U.S. Department of Health and Human Services:</b>                                |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Passed through Pa. Department of Human Services:                                    |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Title 19 - Medical Assistance                                                       | Indirect       | 93.778                    | N/A                         | 7/1/20-9/30/21                       | N/A                  | \$ -                                       | \$ 12,573                  | \$ -                              | \$ 12,573           | \$ 12,573           | \$ -                               |
| Title 19 - Medical Assistance                                                       | Indirect       | 93.778                    | N/A                         | 7/1/19-9/30/20                       | N/A                  | -                                          | 12,863                     | 12,863                            | -                   | -                   | -                                  |
| <b>Total Passed through Pa. Department of Human Services</b>                        |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 25,236</b>           | <b>\$ 12,863</b>                  | <b>\$ 12,573</b>    | <b>\$ 12,573</b>    | <b>\$ -</b>                        |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 25,236</b>           | <b>\$ 12,863</b>                  | <b>\$ 12,573</b>    | <b>\$ 12,573</b>    | <b>\$ -</b>                        |
| <b>U.S. Department of Agriculture:</b>                                              |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Passed through Pa. Department of Education:                                         |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| National School Lunch Program                                                       | Indirect       | 10.555                    | N/A                         | 7/1/20-9/30/21                       | N/A                  | \$ -                                       | \$ 301,151                 | \$ -                              | \$ 313,895          | \$ 313,895          | \$ 12,744                          |
| National School Breakfast Program                                                   | Indirect       | 10.553                    | N/A                         | 7/1/19-9/30/20                       | N/A                  | -                                          | 7,434                      | 7,434                             | -                   | -                   | -                                  |
| National School Lunch Program                                                       | Indirect       | 10.553                    | N/A                         | 7/1/20-9/30/21                       | N/A                  | -                                          | 171,308                    | -                                 | 178,160             | 178,160             | 6,852                              |
| National School Breakfast Program                                                   | Indirect       | 10.553                    | N/A                         | 7/1/19-9/30/20                       | N/A                  | -                                          | 4,873                      | 4,873                             | -                   | -                   | -                                  |
| <b>Total Passed through Pa. Department of Education</b>                             |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 28,383</b>           | <b>(21,430)</b>                   | <b>28,871</b>       | <b>28,871</b>       | <b>(18,942)</b>                    |
| <b>TOTAL CHILD NUTRITION CLUSTER</b>                                                |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 510,949</b>          | <b>\$ (9,323)</b>                 | <b>\$ 620,926</b>   | <b>\$ 620,926</b>   | <b>\$ 664</b>                      |
| Passed through Pa. Department of Agriculture:                                       |                |                           |                             |                                      |                      |                                            |                            |                                   |                     |                     |                                    |
| Fresh Fruit and Vegetable Program                                                   | Indirect       | 10.582                    | N/A                         | 7/1/20-9/30/21                       | N/A                  | \$ -                                       | \$ 20,768                  | \$ -                              | \$ 20,768           | \$ 20,768           | \$ -                               |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                              |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 631,715</b>          | <b>\$ (9,323)</b>                 | <b>\$ 641,892</b>   | <b>\$ 641,892</b>   | <b>\$ 664</b>                      |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                                     |                |                           |                             |                                      |                      | <b>\$ -</b>                                | <b>\$ 3,330,108</b>        | <b>\$ 18,102</b>                  | <b>\$ 4,084,819</b> | <b>\$ 4,084,819</b> | <b>\$ 770,816</b>                  |

# Reconciliation with federal subsidy confirmation:

|                                                    |              |
|----------------------------------------------------|--------------|
| Per above                                          | \$ 3,330,108 |
| School Lunch/Breakfast matching subsidy            | 19,820       |
| Title 19 - Medical Assistance                      | (25,236)     |
| COVID-19 - ESSER I Fund Local                      | (54,298)     |
| Coronavirus Relief Fund (CARES Act)                | (185,275)    |
| Allegheny Intermediate Funding (IDEA)              | (303,518)    |
| Pasport Targeted Computer Science & STEM Education | 25,278       |
| Donated commodities                                | (28,383)     |
| Per confirmation                                   | \$ 2,780,294 |

\* Total USDA Commodity Received  
 \*\* Represents beginning inventory - 7/1/20  
 \*\*\* Represents ending inventory - 6/30/21  
 (1) Denotes Major Program

**STO ROX SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2021**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Sto-Rox School District for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Sto-Rox School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 8 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Sto-Rox School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2020-2021 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**STO-ROX SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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?   X  yes   no
- Significant deficiency(ies) identified?   yes   X  no

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(ies) identified?   yes   X  no

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>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u>               |
|----------------------------------|---------------------------------------------------------|
| 84.425C                          | COVID-19 Governor’s Emergency Relief (GEER) Fund        |
| 84.425D                          | COVID-19 Elementary and Secondary Emergency Relief Fund |

The dollar threshold for distinguishing type A and type B programs:

|                |                        |
|----------------|------------------------|
| Type A Program | \$750,000-\$25,000,000 |
| Type B Program | Less than \$750,000    |

Auditee qualified as low-risk auditee?   yes   X  no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

• **FINDING 2021-001 – RECONCILIATION OF BALANCE SHEET ACCOUNTS**

**CONDITION:** During the 2020-2021 fiscal year, the District did not prepare formal bank reconciliations for the various cash and investment accounts included within its General Fund, Capital Project Fund, and Cafeteria Fund general ledgers, nor record the necessary correcting adjustments during this time-period to adjust these cash and investment accounts to their proper balance. In addition, the District did not record the necessary adjustments to properly reconcile other balance sheet accounts, such as receivables, payables, and payroll-related liabilities to the underlying supporting documentation available at the District. This is a continuing finding from the 2019-2020 fiscal year.

**STO-ROX SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

- **FINDING 2021-001 – RECONCILIATION OF BALANCE SHEET ACCOUNTS (Continued)**

**CRITERIA:** Prudent internal control procedures in the areas of general ledger management and financial reporting include the reconciliation of all general ledger account balances to underlying supporting documentation monthly with independent oversight and approval as part of the process.

**EFFECT:** The lack of preparation of monthly bank reconciliations, and procedures to reconcile all additional balance sheet accounts throughout the fiscal year, with independent oversight, **1)** reduces the District's internal control over the cash management and financial reporting processes, **2)** exposes the District to inaccurate financial reporting to management and the Board of Education for decision-making purposes, and **3)** increases the potential for irregularities that may result (unintentional or otherwise) that are not detected in a timely manner. Had these reconciliations been performed, duplicate postings, non-postings, and inaccurate postings to the District's various general ledgers could have been detected and corrected in a timely manner to enhance internal controls and financial reporting in this important area of financial management.

**CAUSE:** Based on the condition of the financial records during this time-period, it did not appear that the District's business office possessed the requisite experience required to perform the reconciliation procedures described above.

**RECOMMENDATION:** I am recommending that the management of the School District establish written procedures for all accounting functions, but most notably for the functions of **1)** preparing monthly bank reconciliations for all bank and investment accounts, and **2)** recording the necessary adjustments to the District's general ledgers throughout the fiscal year to ensure that all balance sheet account balances are supported by underlying documentation available at the District. The District employed a new Business Manager starting with the 2021-2022 fiscal year with the requisite skills to perform these functions with the objective that this new hire will significantly enhance the internal control over the financial accounting and reporting process relative to the School District's general ledgers for each Fund.

**VIEWS OF RESPONSIBLE OFFICIALS:** The School District concurs with the above noted finding and addresses this issue in the 'Corrective Action Plan' included within this report.

**STO-ROX SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

- **FINDING 2021-002 – PAYROLL TAX REPORTING**

**CONDITION:** As part of my audit procedures to verify the correctness of the year-end payroll bank account balance and the outstanding payroll tax liabilities of the School District, I prepared a detail analysis comparing the payroll tax payments recorded in the District's General Fund general ledger to the actual payments (wire transfers) for federal and state tax obligations deducted from the District's bank account. Starting in February of the 2019-2020 fiscal year, it was noted that certain payroll tax obligations were not being remitted to the Internal Revenue Service (IRS) in a timely manner resulting in additional penalty and interest being assessed to the School District. This situation continued at various times throughout the 2020-2021 fiscal year. The School District received a letter from the IRS stating that through December 31, 2020, they owed approximately \$579,580 plus interest of \$33,940 to rectify past due tax obligations. The School District was subsequently able to pay this principal obligation and have the interest portion abated by the IRS. This is a continuing finding from the 2019-2020 fiscal year.

**CRITERIA:** Internal Revenue Service rules and regulations are specific pertaining to the reporting and payment of payroll tax liabilities, both employer and employee share. These rules and regulations stipulate the specific timing of payments for payroll tax liabilities in order to avoid additional penalty and interest charges, which depending on amounts involved, and timeliness as to payments, could be significant.

**EFFECT:** The failure to pay the required payroll tax liabilities to the Internal Revenue Service in a timely manner, exposes the District to the potential for significant penalties and interest due to lack of compliance.

**CAUSE:** It was not readily determinable as to whether the above referenced payroll tax obligations not remitted to the Internal Revenue Service were due to a lack of cash flow stemming from the District's deficit financial position, or oversight on part of the District's business office.

**RECOMMENDATION:** I am recommending that management of the School District implement the necessary procedures to ensure the timely payment of all payroll tax obligations, so as to not expose the District to unnecessary additional stress on their cash flow resulting from penalties and interest for the nonpayment of these obligations. The District employed a new Business Manager starting with the 2021-2022 fiscal year with the requisite skills to perform these functions with the objective that this new hire will significantly enhance the internal control over the School District's payroll function.

**VIEWS OF RESPONSIBLE OFFICIALS:** The School District concurs with the above noted finding and addresses this issue in the 'Corrective Action Plan' included within this report.



**STO-ROX SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

- **FINDING 2021-003 – SEGREGATION OF DUTIES**

**CONDITION:** The District's business office is responsible for several accounting functions such as 1) maintaining the organization's General Fund (and other Funds) general ledgers, 2) processing and payment of invoices along with check writing, 3) bank account reconciliations and bank transfers, 4) payroll processing, 5) fixed asset maintenance and inventory control, and 6) other accounting functions. These respective duties are not properly segregated in a manner sufficient to minimize the risk for potential for misappropriation of District assets. This is a continuing finding from the 2019-2020 fiscal year.

**CRITERIA:** The basic premise in the concept of 'segregation of duties' is that no one employee should have access to cash and other assets, and the related accounting records.

**EFFECT:** The lack of proper segregation of duties decreases the effectiveness of the District's internal controls and exposes the District to the potential for manipulation of financial records that may not be detected in a timely manner, and ultimately result in a financial loss to the District.

**CAUSE:** The size of the District's business office precludes the segregation of certain duties that may be available in organizations with additional manpower.

**RECOMMENDATION:** I am recommending that the management of the School District review all of the accounting and financially related functions within the School District with the objective of properly segregating incompatible functions wherever possible, based on available manpower, so as to enhance the organization's overall system of internal controls in the area of accounting and finance. As personnel and job responsibilities change over the course of the years, the review and update of these controls should be occurring on an 'on-going' basis, however always reviewed at a minimum, on an annual basis.

**VIEWS OF RESPONSIBLE OFFICIALS:** The School District concurs with the above noted finding and addresses this issue in the 'Corrective Action Plan' included within this report.

**STO-ROX SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

- **FINDING 2021-004: FEDERAL FINANCIAL REPORTS**

**CONDITION:** During my review of the District's compliance with the laws and regulations related to its participation in the Title I, Title II, and Title IV grant programs, I noted that the School District did not complete and submit the required 'final expenditure report' (FER) for the Title, Title II, and Title IV grant programs for fiscal year 2019-2020 and 2020-2021. This is a continuing finding from the 2019-2020 fiscal year.

**CRITERIA:** The Department of Education requires the completion and submission of a 'final expenditure report' (FER) at the conclusion of each grant (Title I, Title II, and Title IV) program year (including any carryover period) within 30 days of the close of the grant period based on information contained in the School District's general ledger and supported by all underlying documentation.

**EFFECT:** The District is not in compliance with the financial reporting requirements relative to its participation in the Title I, Title II, and Title IV Grant Programs which require the completion and timely submission of a 'final expenditure reports' (FER) as supported by the District's general ledger and underlying documentation.

**CAUSE:** It was not readily determinable as to why the School District had not completed and filed the 'final expenditure reports' with PDE in a timely manner.

**RECOMMENDATION:** I recommend that the District develop fiscal procedures to ensure that Title I, Title II, and Title IV 'final expenditure reports' for future fiscal years are completed and filed in a timely manner based on supporting financial information obtained from the District's business office, in order to 1) comply with PDE reporting requirements for the District's applicable federal programs, and 2) to avoid any sanctions or withholding of grant monies from PDE as a result of not filing these reports in a timely manner. In addition, I recommend that District management prepare and submit the aforementioned 'Final Expenditure Reports' not already submitted, as referenced above, to comply with PDE reporting requirements and avoid any potential sanctions for non-filing that may be imposed by PDE.

**VIEWS OF RESPONSIBLE OFFICIALS:** The School District concurs with the above noted finding and addresses this issue in the 'Corrective Action Plan' included within this report.

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None



## CORRECTIVE ACTION PLAN

### Department of Education:

The Sto-Rox School District respectfully submits the following corrective action plan for the year ended June 30, 2021.

### Name and address of the independent public accounting firm:

Mark C. Turnley, Certified Public Accountant  
1000 3<sup>rd</sup> Avenue  
New Brighton, Pa. 15066

**Audit period:** July 1, 2020 through June 30, 2021

The findings for the year ended June 30, 2021, as presented in the Schedule of Findings and Questioned Costs – Section II – Financial Statement Findings, and Sto-Rox School District's planned corrective action are as follows:

- **FINDING 2021-001 – RECONCILIATION OF BALANCE SHEET ACCOUNTS**

**CONDITION:** During the 2020-2021 fiscal year, the District did not prepare formal bank reconciliations for the various cash and investment accounts included within its General Fund, Capital Project Fund, and Cafeteria Fund general ledgers, nor record the necessary correcting adjustments during this time-period to adjust these cash and investment accounts to their proper balance. In addition, the District did not record the necessary adjustments to properly reconcile other balance sheet accounts, such as receivables, payables, and payroll-related liabilities to the underlying supporting documentation available at the District. This is a continuing finding from the 2019-2020 fiscal year.

**CRITERIA:** Prudent internal control procedures in the areas of general ledger management and financial reporting include the reconciliation of all general ledger account balances to underlying supporting documentation monthly with independent oversight and approval as part of the process.

**RECOMMENDATION:** I am recommending that the management of the School District establish written procedures for all accounting functions, but most notably for the functions of **1)** preparing monthly bank reconciliations for all bank and investment accounts, and **2)** recording the necessary adjustments to the District's general ledgers throughout the fiscal year to ensure that all balance sheet account balances are supported by underlying documentation available at the District.

## CORRECTIVE ACTION PLAN

- **FINDING 2021-001 – RECONCILIATION OF BALANCE SHEET ACCOUNTS (Continued)**

**RECOMMENDATION (Continued):** The District employed a new Business Manager starting with the 2021-2022 fiscal year with the requisite skills to perform these functions with the objective that this new hire will significantly enhance the internal control over the financial accounting and reporting process relative to the School District's general ledgers for each Fund.

**MANAGEMENT'S PLANNED CORRECTIVE ACTION:** Effective July 1, 2021, the School District hired a new Business Manager with the requisite skills necessary to address the reconciliation procedures recommended by the District's Audit Firm. In addition, in July of 2022, the School District contracted with a professional accounting Firm to assist in the bank and other balance sheet reconciliations required by the School District with the objective of enhancing the internal controls over the financial accounting and reporting process relative to the School District's general ledgers for each Fund.

- **FINDING 2021-002 – PAYROLL TAX REPORTING**

**CONDITION:** As part of my audit procedures to verify the correctness of the year-end payroll bank account balance and the outstanding payroll tax liabilities of the School District, I prepared a detail analysis comparing the payroll tax payments recorded in the District's General Fund general ledger to the actual payments (wire transfers) for federal and state tax obligations deducted from the District's bank account. Starting in February of the 2019-2020 fiscal year, it was noted that certain payroll tax obligations were not being remitted to the Internal Revenue Service (IRS) in a timely manner resulting in additional penalty and interest being assessed to the School District. This situation continued at various times throughout the 2020-2021 fiscal year. The School District received a letter from the IRS stating that through December 31, 2020, they owed approximately \$579,580 plus interest of \$33,940 to rectify past due tax obligations. The School District was subsequently able to pay this principal obligation and have the interest portion abated by the IRS. This is a continuing finding from the 2019-2020 fiscal year.

**CRITERIA:** Internal Revenue Service rules and regulations are specific pertaining to the reporting and payment of payroll tax liabilities, both employer and employee share. These rules and regulations stipulate the specific timing of payments for payroll tax liabilities in order to avoid additional penalty and interest charges, which depending on amounts involved, and timeliness as to payments, could be significant.

**RECOMMENDATION:** I am recommending that management of the School District implement the necessary procedures to ensure the timely payment of all payroll tax obligations, so as to not expose the District to unnecessary additional stress on their cash flow resulting from penalties and interest for the nonpayment of these obligations. The District employed a new Business Manager starting with the 2021-2022 fiscal year with the requisite skills to perform these functions with the objective that this new hire will significantly enhance the internal control over the School District's payroll function.

## CORRECTIVE ACTION PLAN

- **FINDING 2021-002 – PAYROLL TAX REPORTING (Continued)**

**MANAGEMENT'S PLANNED CORRECTIVE ACTION:** Effective July 1, 2021, the School District hired a new Business Manager with the requisite skills to perform these payroll functions. In addition, in January of 2022, the School District contracted with a professional accounting Firm to assist in the payroll function process required by the School District with the objective of enhancing the internal controls over the School District's payroll function.

- **FINDING 2021-003 – SEGREGATION OF DUTIES**

**CONDITION:** The District's business office is responsible for several accounting functions such as **1)** maintaining the organization's General Fund (and other Funds) general ledgers, **2)** processing and payment of invoices along with check writing, **3)** bank account reconciliations and bank transfers, **4)** payroll processing, **5)** fixed asset maintenance and inventory control, and **6)** other accounting functions. These respective duties are not properly segregated in a manner sufficient to minimize the risk for potential for misappropriation of District assets. This is a continuing finding from the 2019-2020 fiscal year.

**CRITERIA:** The basic premise in the concept of 'segregation of duties' is that no one employee should have access to cash and other assets, and the related accounting records.

**RECOMMENDATION:** I am recommending that the management of the School District review all of the accounting and financially related functions within the School District with the objective of properly segregating incompatible functions wherever possible, based on available manpower, so as to enhance the organization's overall system of internal controls in the area of accounting and finance. As personnel and job responsibilities change over the course of the years, the review and update of these controls should be occurring on an 'on-going' basis, however always reviewed at a minimum, on an annual basis.

**MANAGEMENT'S PLANNED CORRECTIVE ACTION:** Management acknowledges the limited staff in the business office and the overlapping job responsibilities as a result thereof. The District's new Business Manager will continue to review all of the accounting functions in the business office during the 2022-2023 fiscal year with the objective of implementing procedures to segregate as many accounting functions as feasible within the current cost constraints facing the District.

- **FINDING 2021-004: FEDERAL FINANCIAL REPORTS**

**CONDITION:** During my review of the District's compliance with the laws and regulations related to its participation in the Title I, Title II, and Title IV grant programs, I noted that the School District did not complete and submit the required 'final expenditure report' (FER) for the Title, Title II, and Title IV grant programs for fiscal year 2019-2020 and 2020-2021. This is a continuing finding from the 2019-2020 fiscal year.

## CORRECTIVE ACTION PLAN

- **FINDING 2021-004: FEDERAL FINANCIAL REPORTS (Continued)**

**CRITERIA:** The Department of Education requires the completion and submission of a 'final expenditure report' (FER) at the conclusion of each grant (Title I, Title II, and Title IV) program year (including any carryover period) within 30 days of the close of the grant period based on information contained in the School District's general ledger and supported by all underlying documentation.

**RECOMMENDATION:** I recommend that the District develop fiscal procedures to ensure that Title I, Title II, and Title IV 'final expenditure reports' for future fiscal years are completed and filed in a timely manner based on supporting financial information obtained from the District's business office, in order to **1)** comply with PDE reporting requirements for the District's applicable federal programs, and **2)** to avoid any sanctions or withholding of grant monies from PDE as a result of not filing these reports in a timely manner. In addition, I recommend that District management prepare and submit the aforementioned 'Final Expenditure Reports' not already submitted, as referenced above, to comply with PDE reporting requirements and avoid any potential sanctions for non-filing that may be imposed by PDE.

**MANAGEMENT'S PLANNED CORRECTIVE ACTION:** The District's new Business Manager and Federal Program Officials are working in collaboration to complete and file the necessary delinquent Title I, Title II, and Title IV Final Expenditure Reports in order to comply with PDE regulations regarding the filing of federal financial reports. In addition, the District is reviewing and updating the current procedures for filing these federal financial reports in an accurate and timely manner on an annual basis, so as to comply with PDE regulations and avoid any potential sanctions for non-reporting set forth by PDE going forward.

**District Officials responsible for the implementation of the Corrective Action Plan:**  
Megan Van Fossan, Substitute Superintendent, and Paul Sroka, Business Manager.

**STO-ROX SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2021**

The audit report of the Sto-Rox School District for the year ended June 30, 2020 dated August 3, 2021, contained the following audit findings:

- **FINDING 2020-001 – RECONCILIATION OF BALANCE SHEET ACCOUNTS**

**CONDITION:** During the second half of the District's 2019-2020 fiscal year, the District did not prepare formal bank reconciliations for the various cash and investment accounts included within its General Fund, Capital Project Fund, and Cafeteria Fund general ledgers, nor record the necessary correcting adjustments during this time-period to adjust these cash and investment accounts to their proper balance. In addition, the District did not record the necessary adjustments to properly reconcile other balance sheet accounts, such as receivables, payables, and payroll-related liabilities to the underlying supporting documentation available at the District.

**RECOMMENDATION:** I am recommending that the management of the School District establish written procedures for all accounting functions, but most notably for the functions of 1) preparing monthly bank reconciliations for all bank and investment accounts, and 2) recording the necessary adjustments to the District's general ledgers throughout the fiscal year to ensure that all balance sheet account balances are supported by underlying documentation available at the District. The District has most recently employed a new Business Manager with the requisite skills to perform these functions with the objective that this new hire will significantly enhance the internal control over the financial accounting and reporting process relative to the School District's general ledgers for each Fund.

**CURRENT STATUS:** See Finding 2021-001

- **FINDING 2020-002 – PAYROLL TAX REPORTING**

**CONDITION:** As part of my audit procedures to verify the correctness of the year-end payroll bank account balance and the outstanding payroll tax liabilities of the School District, I prepared a detail analysis comparing the payroll tax payments recorded in the District's General Fund general ledger to the actual payments (wire transfers) for federal and state tax obligations deducted from the District's bank account. Two conditions were noted during this process as follows:

- 1) A payment of approximately \$92,517.21 to the Internal Revenue Service (IRS) for the first payroll period in the month of December 2019 was recorded in the District's General Fund general ledger as having been paid, however that particular payment was not deducted as a wire transfer from the School District's bank account. The School District received a notice dated January 11, 2021, from the IRS requesting payment of this amount, along with additional penalty and interest of \$19,984, for a total of \$112,501. Per discussion with District officials, this letter was located in the District's business office during the audit process but had not been brought to the attention of the District's contracted business consultant, nor Superintendent, until reported as part of the audit process.
- 2) From the detailed analysis referenced above, it was noted that starting with the 2<sup>nd</sup> payroll period in the month of February 2020, that the 'employee's share' of social security/medicare withholding was not remitted to the IRS. The amount not remitted totaled approximately \$249,386. Since the audit period ends at June 30th, there were no additional audit procedures performed in the 2020-2021 fiscal year to determine if this practice continued in the next fiscal year. It was not readily determinable as to whether the District received additional correspondence from the Internal Revenue Service addressing this issue with potential additional penalties and interest due by the District.

**STO-ROX SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2021**

- **FINDING 2020-002 – PAYROLL TAX REPORTING (Continued)**

**RECOMMENDATION:** I am recommending that management of the School District implement the necessary procedures to ensure the timely payment of all payroll tax obligations, so as to not expose the District to unnecessary additional stress on their cash flow resulting from penalties and interest for the nonpayment of these obligations. In addition, the District should be proactive in resolving the nonpayment of the employee's share of social security/medicare for the above referenced time-period, to minimize the extent of additional, potentially significant, penalties and interest charges assessed against the District.

**CURRENT STATUS:** See Finding 2021-002

- **FINDING 2020-003 – SEGREGATION OF DUTIES**

**CONDITION:** The District's business office is responsible for several accounting functions such as 1) maintaining the organization's General Fund (and other Funds) general ledgers, 2) processing and payment of invoices along with check writing, 3) bank account reconciliations and bank transfers, 4) payroll processing, 5) fixed asset maintenance and inventory control, and 6) other accounting functions. These respective duties are not properly segregated in a manner sufficient to minimize the risk for potential for misappropriation of District assets.

**RECOMMENDATION:** I am recommending that the management of the School District review all of the accounting and financially related functions within the School District with the objective of properly segregating incompatible functions wherever possible, based on available manpower, so as to enhance the organization's overall system of internal controls in the area of accounting and finance. As personnel and job responsibilities change over the course of the years, the review and update of these controls should be occurring on an 'on-going' basis, however always reviewed at a minimum, on an annual basis.

**CURRENT STATUS:** See Finding 2021-003

- **FINDING 2020-004: FEDERAL FINANCIAL REPORTS**

**CONDITION:** During my review of the District's compliance with the laws and regulations related to its participation in the Title I, Title II, and Title IV grant programs, I noted that the School District did not complete and submit the required 'final expenditure report' (FER) for the Title I grant program for fiscal year 2018-2019, and the Title I, Title II, and Title IV grant programs for fiscal year 2019-2020.

**RECOMMENDATION:** I recommend that the District develop fiscal procedures to ensure that Title I, Title II, and Title IV 'final expenditure reports' for future fiscal years are completed and filed in a timely manner based on supporting financial information obtained from the District's business office, in order to 1) comply with PDE reporting requirements for the District's applicable federal programs, and 2) to avoid any sanctions or withholding of grant monies from PDE as a result of not filing these reports in a timely manner. In addition, I recommend that District management prepare and submit the aforementioned 'Final Expenditure Reports' not already submitted, as referenced above, to comply with PDE reporting requirements and avoid any potential sanctions for non-filing that may be imposed by PDE.

**CURRENT STATUS:** See Finding 2021-004