

PINE GROVE AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

PINE GROVE, PENNSYLVANIA

FOR THE YEAR ENDED JUNE 30, 2021

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Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

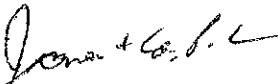
We have performed the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) of the Pine Grove Area School District for the year ended June 30, 2021. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted no later than 30 days after you receive our Single Audit Report but no later than nine months after the year end (March 31, 2022). Due to the Covid-19 pandemic, the reporting package has been extended six months after the original due date (September 30, 2022).

The Single Audit was done to fulfill the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance). It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; (3) a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (4) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (5) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (6) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have enclosed a management letter for the fiscal year ended June 30, 2021.

When filing the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.


February 3, 2022
Pottsville Pennsylvania

PINE GROVE AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

JUNE 30, 2021

1 Single Audit Report

Schuylkill Intermediate Unit #29
Box 130, Second Floor
Marlin, PA 17951

1 Certified Copy of
Data Collection Form
Single Audit Clearing
Package Checklist, FAC's
Confirmation email

Must be submitted Via Electronic Mail (E-mail)
Commonwealth of Pennsylvania
Office of the Budget - Bureau of Audits,
Special Audit Services Division
RA-BAFSingleAudit@pa.gov

1 Single Audit Report and
Data Collection Form

Federal Audit Clearing House
Via Internet Website
www.harvester.census.gov/sac

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pine Grove Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pine Grove Area 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

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

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

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

Opinions

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

Prior Period Adjustments

As described in Note 17 to the financial statements, as of June 30, 2020, the District had not reclassified scholarships under the trust fund to the general fund under GASB 84. The district employee's make the selections of all scholarships. Therefore these scholarships are now included in the General Fund. The effect of the reclassification is to increase the restricted fund balance of the general fund by \$93,927 and to decrease the trust fund – fund balance by (\$93,927).

As described in Note 18 to the financial statements, as of June 30, 2020, the District had not reclassified some of the student activities under the activities fund to the general fund under GASB 84. The district employee's determine some of the student activities club's transactions. Therefore these activities are now included in the General Fund. The effect of the reclassification is to increase the restricted fund balance of the general fund by \$18,844 and to decrease the trust fund – fund balance by (\$18,844).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9-22, schedule of the District's proportionate share of the net pension liability, schedule of the District's contributions, schedule of District's proportionate share of net OPEB – PSERS liability, schedule of District contributions – OPEB – PSERS, schedule of District's proportionate share of the net OPEB liability, and schedule of District contributions – OPEB on pages 77-82, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

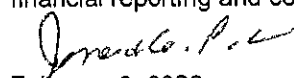
Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pine Grove Area School District's basic financial statements. The 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 schedule of expenditures of federal awards is the responsibility of management and were 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 our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2022, on our consideration of the Pine Grove Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pine Grove Area School District's internal control over financial reporting and compliance.


February 3, 2022
Pottsville, Pennsylvania

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**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**

Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

We 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 Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pine Grove Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pine Grove Area School District's basic financial statements, and have issued our report thereon dated February 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pine Grove Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pine Grove Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pine Grove Area 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

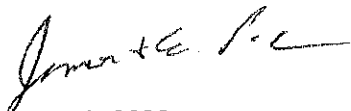
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



February 3, 2022
Pottsville, Pennsylvania

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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**

Board of School Directors
Pine Grove Area School District
Pine Grove, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pine Grove Area 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 Pine Grove Area School District's major federal programs for the year ended June 30, 2021. Pine Grove Area 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

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

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

Opinion on Each Major Federal Program

In our opinion, the Pine Grove Area School District, complied, in all material respects, with the types of 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.

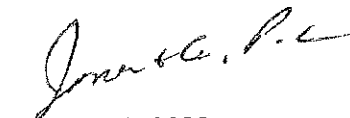
Report on Internal Control over Compliance

Management of the Pine Grove Area 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 our audit of compliance, we considered the Pine Grove Area 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pine Grove Area 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.

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

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



February 3, 2022
Pottsville, Pennsylvania

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Pine Grove Area School District (the "District") for the year ended June 30, 2021. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

FINANCIAL HIGHLIGHTS

Total Net Position of the District increased \$2,080,887 in 2021 to (\$5,619,735) at June 30, 2021. Net position of governmental activities increased \$2,078,408 or (24.95%) above 2020. Net position of the business-type activity increased \$2,479, or 0.39%, above 2020.

The District had \$24,724,595 in expenses related to governmental activities in 2021; of these expenses, \$5,959,897 was offset by program-specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$20,843,201 were adequate to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basis financial statements. The District's basis financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

The statement of Net Position presents information on all of the District's assets and liabilities and deferred inflows and outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 23-24 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's major funds (General Fund and Capital Project Fund).

The basic governmental fund financial statements can be found on pages 25 through 34 of this report.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 29 of this report to demonstrate compliance with this budget.

PROPRIETARY FUNDS

The District accounts for its food service operation in a proprietary fund, which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

FIDUCIARY FUNDS

The District maintains fiduciary funds for private purpose trust and student activity funds. All of the District's fiduciary activities are reported in a separate statement of Net Position on page 33 of this report as these activities cannot be used to finance District operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-73 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2021 included revenue of \$24,637,750 and expenditures and other financing uses of \$25,158,150. There were no amendments made to the budget in 2021.

Actual revenues in 2021 were \$26,559,154, exceeding budgeted revenues of \$24,637,750 by \$1,921,404. The favorable variance was attributable primarily to actual exceeding budgeted amounts of \$1,439,416, \$197,920, and \$284,068 in local, state, and federal source revenues, respectively.

Actual expenditures exceeded the budgeted expenditures in 2021 by \$898,751. The primary causes for the unfavorable variance were increases in operation of instruction expenditures, support service expenditures, and non-instructional services expenditures (due to construction-related expenditures) of \$52,427, \$64,917 and \$781,407, respectively.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

Other financing uses were \$2,034,137 in 2021, less than the budgeted amount of \$2,083,545 by \$49,408. The favorable variance is attributable to \$0 of actual transfer expenditures, which was less than the budgeted amount of \$49,408.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's condensed government-wide financial statements are presented comparatively as follows:

	CONDENSED STATEMENT OF NET POSITION					
	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Current and Other assets	\$12,751,212	\$11,960,737	\$720,091	\$777,664	\$13,471,303	\$12,738,401
Capital assets	30,083,799	30,170,082	92,190	69,525	30,175,989	30,239,607
Deferred Outflows of resources	3,631,626	1,866,504	0	0	3,631,626	1,866,504
Total Assets & Deferred Outflows of Resources	<u>\$46,466,637</u>	<u>\$43,997,323</u>	<u>\$812,2819</u>	<u>\$847,189</u>	<u>\$47,278,918</u>	<u>\$44,844,512</u>
Current and Other liabilities	\$5,408,298	\$5,491,014	\$156,205	\$185,091	\$5,564,503	\$5,676,105
Long-term liabilities	45,115,650	44,030,853	0	0	45,115,650	44,030,853
Deferred Inflows of resources	2,193,281	2,917,227	25,219	33,720	2,218,500	2,950,947
Total Liabilities & Deferred Inflows	<u>\$52,717,229</u>	<u>\$52,439,094</u>	<u>\$181,424</u>	<u>\$218,811</u>	<u>\$52,898,653</u>	<u>\$52,657,905</u>
Net Position:						
Invested in capital assets, net of related debt	\$0	\$0	\$0	\$4,519	\$0	\$11,113,260
Restricted	0	0	92,190	0	92,190	2,013,794
Committed	0	0	0	0	0	0
Unassigned	(6,250,592)	(8,441,771)	538,667	282,831	(5,711,925)	(20,837,939)
Total Net Position	<u>(6,250,592)</u>	<u>(8,441,771)</u>	<u>630,857</u>	<u>628,378</u>	<u>(5,619,735)</u>	<u>(7,813,393)</u>
Total Liabilities & Net Position	<u>\$46,466,637</u>	<u>\$43,997,323</u>	<u>\$812,281</u>	<u>\$847,189</u>	<u>\$47,278,918</u>	<u>\$44,844,512</u>

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS	
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Revenues						
Program Revenues:						
Charges for Services	\$4,601	\$41,215	\$99,783	\$336,943	\$104,384	\$378,158
Operating Grants and Contributions	5,947,928	5,789,162	814,485	411,267	6,762,413	6,200,429
Capital Grants and Contributions	7,368	12,509	0	0	7,368	12,509
Taxes Levied for General Purposes	12,599,002	13,802,415	0	0	12,599,002	13,802,415
Grants, Subsidies and Other Contr.	7,600,925	7,598,316	0	0	7,600,925	7,598,316
Transfers and Other	643,179	589,221	95	3,961	643,274	593,182
Total Revenues	\$26,803,003	\$27,832,838	\$914,363	\$752,171	\$27,717,366	\$28,585,009
Program Expenditures						
Instruction	\$16,234,607	\$15,166,001	\$0	\$0	\$16,234,607	\$15,166,001
Instructional Student Support	1,894,159	1,920,129	0	0	1,894,159	1,920,129
Administrative & Financial Support	2,488,323	2,334,634	0	0	2,488,323	2,334,634
Operation & Maintenance of Plant	2,279,457	2,197,725	0	0	2,279,457	2,197,725
Pupil Transportation	1,279,259	1,312,149	0	0	1,279,259	1,312,149
Student Activities	403,471	478,902	0	0	403,471	478,902
Community Services	0	0	0	0	0	0
Interest on Long-Term Debt	145,319	197,097	0	0	145,319	197,097
Unallocated Depreciation	0	0	911,884	691,519	911,884	691,519
Food services	0	0	0	0	0	0
Total Expenditures	\$24,724,595	\$23,606,637	\$911,884	\$691,519	\$25,636,479	\$24,298,156
Change in Net Position	2,078,408	4,226,201	2,479	60,652	2,080,887	4,286,853
Net Position, Beginning	(8,441,771)	(12,667,972)	628,378	567,726	(7,813,393)	(12,100,246)
Prior Period Adjustment	112,771	0	0	0	112,771	0
Net Position, Ending	(\$6,250,592)	(\$8,441,771)	\$630,857	\$567,726	(\$5,619,735)	(\$7,813,393)

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

GOVERNMENTAL ACTIVITIES

The Net Position of the governmental activities increased by \$2,078,408 or 24.62% above 2020. The majority of the increase was due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting Pensions* in prior years, as disclosed in Note 15 to the financial statements. Due to this adoption in 2018, a prior period adjustment of (\$4,408,176) was made during that year to adjust the District's reportable Net Pension Liability as of 6/30/17. The result was a significant contributor to a large net position decrease in prior years. The absence of this GASB Statement No. 68 adjustment during the 2020-21 year was a large contributing factor to the increase in net position. In addition, tax revenues increased approximately \$1,203,413 or 8.72%, attributable primarily to an increase in local tax collections.

BUSINESS-TYPE ACTIVITY

The Net Position of the District's food service operation increased by \$2,479 in 2021.

FINANCIAL ANALYSIS OF THE FUNDS

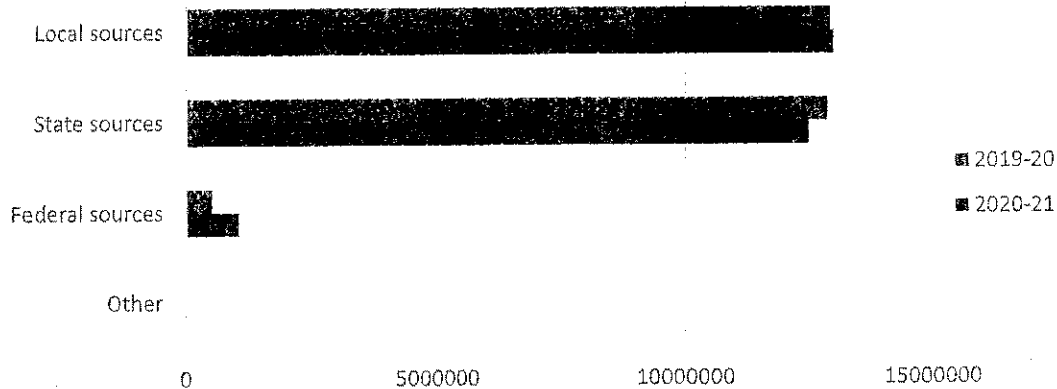
GENERAL FUND (MAJOR)

The following represents a summary of Actual General Fund revenue, by source, for the years June 30, 2021 and 2020.

	2021 Amount	2020 Amount	Increase (Decrease)
Local Sources	\$ 13,002,931	\$ 12,948,958	\$ 53,973
State Sources	12,488,465	12,874,332	(385,867)
Federal Sources	1,067,758	525,654	542,104
Other	0	0	0
Total	<u>\$ 26,559,154</u>	<u>\$ 26,348,944</u>	<u>\$ 210,210</u>

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

Two-Year Revenue Comparison



LOCAL SOURCES

Approximately 68.79% of the District's 2020-21 local source revenue is generated from real estate taxes. During 2021, local revenues increased \$53,973 over 2020. The current real estate tax revenue increased by approximately \$142,521, delinquent tax collections increased approximately \$128,260, and interest income decreased by approximately \$5,141.

STATE SOURCES

State sources decreased by \$385,867 or 3.00%. The subsidies associated with the Basic Education Funding, Special Education Funding, Transportation, and the increase in Social Security and Retirement revenue accounted for the majority of the increase in state source revenue. Note: The District's retirement expense is offset by the revenue source received from the State.

FEDERAL SOURCES

Federal sources of revenue increased by \$542,104 or 103.12% primarily due to Federal COVID and ESSER funding received in current year as compared to prior year.

OTHER SOURCES

Revenues from other sources remained the same as last year at \$0.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

The following represents a summary of General Fund Expenditures by function for the year June 30, 2021 and 2020.

	2020-21 Amount	2019-20 Amount	Increase (Decrease)
Instruction	\$ 15,477,076	\$ 14,786,551	\$ 690,525
Support Services	7,348,813	7,451,997	(103,184)
Non-Instructional Services	1,147,467	1,223,121	(75,654)
Other Financing Uses	2,034,137	2,035,204	(1,067)
Total	<u>\$ 26,007,493</u>	<u>\$ 25,496,873</u>	<u>\$ 510,620</u>

INSTRUCTION

The amount of instructional expenses reported at June 30, 2021 increased approximately \$690,525 from the prior year. The increase can be attributed in predominantly to an increase in the contractual obligations of professional positions and the resulting employee benefits related to the pension and insurance expenses, in addition to increase in curriculum spending.

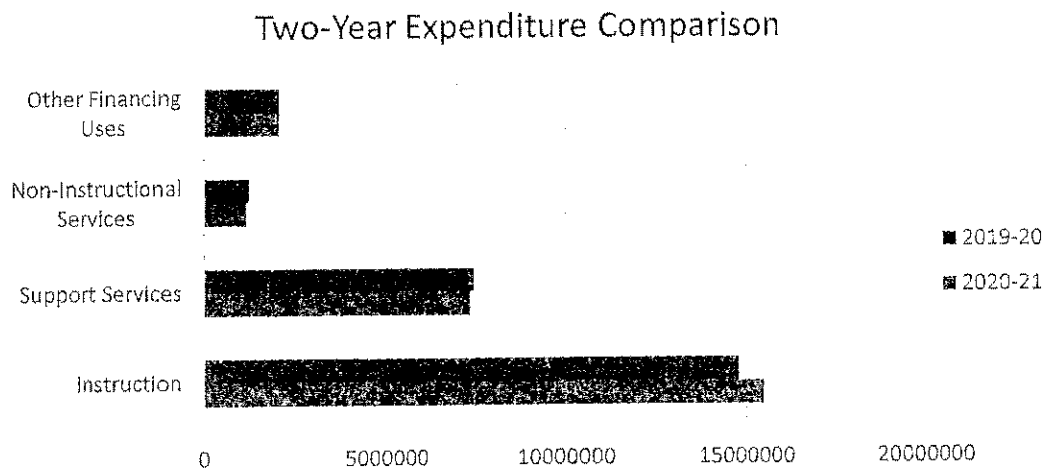
SUPPORT SERVICES

The amount of expenditures recognized in this category decreased by approximately \$103,184 from the prior year. The decrease in support services expenditures can be attributed to rotating student schedules due to the COVID-19 pandemic for the majority of the school year (one half of the student body was present each day), in addition to several part-time aide positions that were previously filled being vacant being throughout the 20-21 school year.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

NON-INSTRUCTIONAL SERVICES, CAPITAL OUTLAY, REFUND OF PRIOR YEAR, AND DEBT SERVICE

The amount of expenditures in this category decreased by approximately \$75,654. The majority of this decrease can be attributed to less overall higher-cost project expenditures for the district occurring in 2020-21 as compared to the prior year.



DEBT SERVICE FUND

The Debt Service Fund is used to account for resources accumulated for the payment of long-term obligations. It is normally used to account for refunding of bond issues and the payment of the annual debt service on existing bonds. The District periodically reviews its existing debt and refunds such debt when economically feasible. The following is a recap of the District's bond activity for 2021:

	<u>Balance</u> <u>07/01/2020</u>	<u>Additions</u>	<u>Payments/</u> <u>Refinancing</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bond Series 2012	3,980,000	0	(1,820,000)	2,160,000	1,860,000
General Obligation Bond Series 2015	3,235,000	0	(55,000)	3,180,000	55,000
	<u>\$ 7,215,000</u>	<u>\$ 0</u>	<u>\$ (1,875,000)</u>	<u>\$ 5,340,000</u>	<u>\$ 1,915,000</u>

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

LONG-TERM DEBT

At June 30, 2021, the District's general obligation debt was approximately \$5,340,000. This amount is approximately 9.89% of its legal limit of \$54 million. The District's bonds have a stable outlook "AA-" rating from Standard and Poor's Rating Group.

CAPITAL PROJECTS FUND (MAJOR)

The Capital Project Fund accounts for major construction projects in the District. The Capital Projects Fund earned \$77 of interest, and expended \$119,227 on facility acquisition, construction and improvement projects. The fund balance of the Capital Project Fund at June 30, 2021 was \$784,255.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2021 is summarized below.

	Governmental Activities		Business-type Activities		Totals	
	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Construction in Progress	0	0	0	0	0	0
Land and Site Improvements, Net	129,332	131,258	0	0	129,332	131,258
Building and Improvements, Net	28,540,123	29,437,057	0	0	28,540,123	29,437,057
Furniture and Equipment, Net	1,333,828	546,661	92,190	69,525	1,426,018	616,186
Vehicles, Net	80,516	55,106	0	0	80,516	55,106
Totals	<u>30,083,799</u>	<u>30,170,082</u>	<u>92,190</u>	<u>69,525</u>	<u>30,175,989</u>	<u>30,239,607</u>

NONCURRENT LIABILITIES

Noncurrent liabilities will be paid one year or later from the date of the Statement of Net Position. The District's noncurrent liabilities include compensated absences, bonds payable, and other long-term obligations, net of current portions. It should be noted the Governmental Accounting Standards Board (GASB) Statement #45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions became effective for the District in the 2008-2009 fiscal year.

The Postemployment Benefits obligation approximated \$5,701,525 as of June 30, 2021 and is reflected on the statement of Net Position.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The District adopted Statement No. 68 beginning with its fiscal year 2015 financial statements. The District has worked in conjunction with actuaries and representatives from the State pension system to calculate the liability moving forward, as disclosed in Note 15 to the financial statements.

SELECTED SUPPLEMENTAL INFORMATION

The District is required to update, on an annual basis, information as it relates to Continuing Disclosure for Bond Obligation Compliance.

TAX COLLECTION RECORD

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Percent Collected</u>	<u>Delinquent</u>	<u>Total + Delinquent</u>	<u>Percent Collected Total</u>
2015-2016	38.9	8,265,642	7,753,656	94%	413,088	8,166,744	99%
2016-2017	38.9	8,944,787	7,822,183	88%	411,052	8,233,235	92%
2017-2018	39.75	9,211,573	8,054,896	88%	509,459	8,564,355	93%
2018-2019	40.75	9,506,650	8,498,633	90%	131,610	8,630,243	91%
2019-2020	41.75	9,825,286	8,618,999	88%	448,022	9,067,021	92%
2020-2021	41.75	9,841,707	8,820,426	90%	542,260	9,362,686	95%

Prior to 2018-19, the school district sold its delinquent taxes to a third-party entity for a lump sum payment determined annually. However, the district opted not to enter into this sale beginning in the 2018-19 school year. 2018 and beyond delinquent real estate taxes are collected by Portnoff Law Associates, Ltd. and remitted directly to the school district.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

TOP TEN TAXPAYERS

<u>Taxpayer</u>	<u>Description</u>	<u>Assessed Totals</u>
Big Lots LLC	Distribution Center	\$ 42,346,500
Heaco LP	Manufacturing	2,410,245
Penn and Dye Fishing Co.	Manufacturing	2,085,445
Gold Mills Inc.	Manufacturing	1,867,975
Newstead Development LLC	Manufacturing	1,739,865
Tremont Heath	Nursing Home	1,735,965
Jay Dana LLC	Hotel	1,492,000
ANZ Pine Grove LLC	Hotel	1,476,800
Rausch Creek Generation LLC	Cogen Plant	1,435,930
FDI Postal Properties Inc.	Manufacturing	1,405,100
Total		<u>\$ 57,995,825</u>

HISTORY OF ASSESSED VALUE, MARKET VALUE AND COMMON LEVEL RATIO

<u>School Year</u>	<u>Assessed Valuation</u>	<u>Market Value</u>	<u>Common Level Ratio</u>
2007-2008	191,651,675	474,385,334	40.40%
2008-2009	200,870,350	525,838,612	38.20%
2009-2010	203,125,445	429,440,687	47.30%
2010-2011	223,042,380	578,439,378	38.60%
2011-2012	223,516,875	590,248,036	37.90%
2012-2013	223,516,875	590,248,036	37.90%
2013-2014	224,925,135	593,611,992	37.90%
2014-2015	226,022,575	598,025,605	37.80%
2015-2016	227,380,660	601,311,603	36.93%
2016-2017	229,943,110	603,379,340	36.82%
2017-2018	231,539,595	607,314,775	36.83%
2018-2019	232,751,440	613,122,280	36.56%
2019-2020	235,167,390	618,783,478	36.57%
2020-2021**	235,271,600	646,020,823	32.10%

**Source: Pennsylvania State Tax Equalization Board (STEB).

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

MUNICIPAL REAL ESTATE TAX RATES

<u>Municipality</u>	<u>School District</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Frailey Township *	41.75	9.25	13.98	63.98
Pine Grove Borough	41.75	14	13.98	68.73
Pine Grove Township	41.75	4	13.98	59.73
Tremont Borough **	41.75	16	13.98	71.73
Tremont Township	41.75	7	13.98	61.73
Washington Twp	41.75	3.5	13.98	58.23
* Includes millage street lighting				
**Includes millage for fire house				
Source:				
Pennsylvania Department of Community and Economic Development (DCED)				

ECONOMIC CONDITION AND OUTLOOK

The District expects some growth in the near future given the residential and commercial nature of the local economy, though the amount of growth is not readily determinable. The District's assessed values over the prior two years averaged significant growth, and above-average growth was seen in the current year. The District's student population has remained consistent during the same period.

The District is also complying with the enacted law as passed within the Commonwealth of Pennsylvania entitle Act 1 of Special Session of 2007. The goal of the Act 1 legislation seeks to reduce property taxes but in doing so also ensures that the District does not suffer any loss of revenue attributable to the shifting of local revenue sources. During June 30, 2021, the District has complied with all aspects of Act 1.

Retirement Costs associated with District Personnel increased during the fiscal year due to an increase in the rate certified by the Public School Employees' Retirement System. The table below illustrates the rates charged to the District.

PINE GROVE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Unaudited)

<u>Year</u>	<u>District Rate on Covered Payroll</u>
2015-16	25.84%
2016-17	30.03%
2017-18	32.57%
2018-19	33.43%
2019-20	34.29%
2020-21	34.51%
2021-22	34.94%
2022-23	35.26%

Over the next several years, it is projected that the contribution rates for the Public School Employees' Retirement System of Pennsylvania will rise, though not as significantly as in prior years. Based on actuarial projections, it is anticipated that by the school year 2024-2025, the total employer contribution rate is projected to be 36.02%.

EMPLOYEE RELATIONS

The following represents the Collective Bargaining Agreements in effect at June 30, 2021:

The Pine Grove Area School District and the Pine Grove Area Education Association currently have a contract for a term commencing July 1, 2019 and ending June 30, 2023.

The Pine Grove Area School District and the American Federation of State, County, and Municipal Employees currently have a contract for a term commencing July 1, 2018 and ending June 30, 2022.

The Pine Grove Area School District and the Pine Grove Area Administrative Staff and Act 93 Staff currently have a contract for a term commencing July 1, 2022 and ending June 30, 2026.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jodie I. Dermo, Business Administrator, Pine Grove Area School District, 103 School Street, Pine Grove, PA 17963.

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and investments	\$ 7,746,826	\$ 375,294	\$ 8,122,120
Taxes receivable, net	2,445,620	0	2,445,620
Intergovernmental receivables	2,346,239	0	2,346,239
Internal balances	139,777	334,950	474,727
Prepaid Expenses	0	0	0
Other account receivables	45,469	0	45,469
Inventories	27,281	9,847	37,128
TOTAL CURRENT ASSETS	<u>12,751,212</u>	<u>720,091</u>	<u>13,471,303</u>
NON-CURRENT ASSETS			
Land and site improvements - net	129,332	0	129,332
Building and building improvements - net	28,540,123	0	28,540,123
Machinery and equipment - net	1,333,828	92,190	1,426,018
Vehicles - net	80,516	0	80,516
TOTAL NON-CURRENT ASSETS	<u>30,083,799</u>	<u>92,190</u>	<u>30,175,989</u>
TOTAL ASSETS	42,835,011	812,281	43,647,292
DEFERRED OUTFLOWS OF RESOURCES	<u>3,631,626</u>	<u>0</u>	<u>3,631,626</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 46,466,637</u>	<u>\$ 812,281</u>	<u>\$ 47,278,918</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)			
CURRENT LIABILITIES			
Internal balances	\$ 300,912	\$ 135,342	\$ 436,254
Accounts payable	653,175	20,863	674,038
Accrued salaries and benefits	2,496,974	0	2,496,974
Current portion of long-term debt	1,915,000	0	1,915,000
Accrued interest	42,237	0	42,237
TOTAL CURRENT LIABILITIES	<u>5,408,298</u>	<u>156,205</u>	<u>5,564,503</u>
NON-CURRENT LIABILITIES			
Bonds payable	3,425,000	0	3,425,000
OPEB liability	5,701,528	0	5,701,528
Pension liability	35,255,000	0	35,255,000
Long-term portion of compensated absences	734,122	0	734,122
TOTAL NON-CURRENT LIABILITIES	<u>45,115,650</u>	<u>0</u>	<u>45,115,650</u>
TOTAL LIABILITIES	<u>50,523,948</u>	<u>156,205</u>	<u>50,680,153</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,193,281</u>	<u>25,219</u>	<u>2,218,500</u>
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt	24,743,799	92,190	24,835,989
Restricted for:			
Capital projects	41,772	0	41,772
Unrestricted (Deficit)	(31,036,163)	538,667	(30,497,496)
TOTAL NET POSITION (DEFICIT)	<u>(6,250,592)</u>	<u>630,857</u>	<u>(5,619,735)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	<u>\$ 46,466,637</u>	<u>\$ 812,281</u>	<u>\$ 47,278,918</u>

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (DEFICIT)

FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 16,234,607	\$ 0	\$ 4,385,504	\$ (11,849,103)	\$ 0	\$ (11,849,103)
Instructional student support	1,894,159	0	273,110	(1,621,049)	0	(1,621,049)
Administrative and financial support services	2,488,323	0	261,334	(2,226,989)	0	(2,226,989)
Operation and maintenance of plant services	2,279,457	0	311,367	(1,968,090)	0	(1,968,090)
Pupil transportation	1,279,259	0	663,265	(615,994)	0	(615,994)
Student activities	403,471	4,601	53,348	(345,522)	0	(345,522)
Community services	0	0	0	0	0	0
Interest on long-term debt	145,319	0	7,368	(137,951)	0	(137,951)
TOTAL GOVERNMENTAL ACTIVITIES	24,724,595	4,601	5,955,296	(18,764,698)	0	(18,764,698)
BUSINESS-TYPE ACTIVITIES						
Food services	911,884	99,783	814,485	0	2,384	2,384
TOTAL PRIMARY GOVERNMENT	25,636,479	104,384	6,769,781	(18,764,698)	2,384	(18,762,314)
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				8,944,303	0	8,944,303
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				3,654,699	0	3,654,699
Grants, subsidies, and contributions not restricted				7,600,925	0	7,600,925
Loss on Sale of Fixed Assets				0	0	0
Investment earnings				49,393	95	49,488
Miscellaneous				593,786	0	593,786
TOTAL GENERAL REVENUES AND TRANSFERS				20,843,106	95	20,843,201
CHANGE IN NET POSITION						
				2,078,408	2,479	2,080,887
NET POSITION (DEFICIT) - BEGINNING				(8,441,771)	628,378	(7,813,393)
PRIOR PERIOD ADJUSTMENT				112,771	0	112,771
NET POSITION (DEFICIT) - BEGINNING - RESTATED				(8,329,000)	628,378	(7,700,622)
NET POSITION (DEFICIT) - ENDING				\$ (6,250,592)	\$ 630,857	\$ (5,619,735)

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

PINE GROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and investments	\$ 6,987,967	\$ 758,859	\$ 7,746,826
Taxes receivable	2,445,620	0	2,445,620
Internal balances	882,260	25,396	907,656
Intergovernmental receivables	2,346,239	0	2,346,239
Prepaid expense	0	0	0
Other receivables	45,469	0	45,469
Inventories	27,281	0	27,281
TOTAL ASSETS	<u>12,734,836</u>	<u>784,255</u>	<u>13,519,091</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,734,836</u>	<u>\$ 784,255</u>	<u>\$ 13,519,091</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Internal balances	\$ 326,308	\$ 742,483	\$ 1,068,791
Accounts payable	653,175	0	653,175
Accrued salaries and benefits	2,496,974	0	2,496,974
TOTAL LIABILITIES	<u>3,476,457</u>	<u>742,483</u>	<u>4,218,940</u>
DEFERRED INFLOWS OF RESOURCES	2,698,587	0	2,698,587
FUND BALANCES			
Restricted	112,771	41,772	154,543
Committed	2,935,716	0	2,935,716
Assigned	1,440,125	0	1,440,125
Unassigned	2,071,180	0	2,071,180
TOTAL FUND BALANCES	<u>6,559,792</u>	<u>41,772</u>	<u>6,601,564</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 12,734,836</u>	<u>\$ 784,255</u>	<u>\$ 13,519,091</u>

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

PINE GROVE AREA SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,601,564

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

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

Cost of capital assets	55,945,381
Less: accumulated depreciation	(25,861,582)

Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

Bond principle payable	(5,340,000)
Pension Liability	(35,255,000)
Compensated absences	(734,122)
OPEB	(5,701,528)
Deferred Outflows / Inflows	4,065,590

Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements.

71,342

Governmental funds do not report a liability for accrued interest until due and payable.

(42,237)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES **\$ (6,250,592)**

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

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	\$ 13,002,931	\$ 77	\$ 13,003,008
State sources	12,488,465	0	12,488,465
Federal sources	1,067,758	0	1,067,758
TOTAL REVENUES	<u>26,559,154</u>	<u>77</u>	<u>26,559,231</u>
OTHER FINANCING SOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	26,559,154	77	26,559,231
EXPENDITURES			
Instruction	15,477,076	0	15,477,076
Support services	7,348,813	0	7,348,813
Operation of non-instructional services	401,939	0	401,939
Facilities acquisition, construction, and improvement services	745,528	119,227	864,755
TOTAL EXPENDITURES	<u>23,973,356</u>	<u>119,227</u>	<u>24,092,583</u>
OTHER FINANCING (USES)			
Debt service	2,034,137	0	2,034,137
TOTAL OTHER FINANCING (USES)	<u>2,034,137</u>	<u>0</u>	<u>2,034,137</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	26,007,493	119,227	26,126,720
NET CHANGE IN FUND BALANCES	<u>551,661</u>	<u>(119,150)</u>	<u>432,511</u>
FUND BALANCES - BEGINNING	5,895,360	\$ 160,922	\$ 6,056,282
PRIOR PERIOD ADJUSTMENT	<u>112,771</u>	<u>0</u>	<u>112,771</u>
FUND BALANCES-BEGINNING, AS RESTATED	6,008,131	160,922	6,169,053
FUND BALANCES - ENDING	<u>\$ 6,559,792</u>	<u>\$ 41,772</u>	<u>\$ 6,601,564</u>

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

PINE GROVE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 432,511
Because some property and personal taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the government funds.	243,776
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,875,000
Previous year bond costs are expensed in the governmental funds when incurred but are amortized in the Statement of Activities.	(29,959)
Expenses reported in the Statement of Activities, such as compensated absences, OPEB, and net pension liability do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(370,454)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	13,818
Governmental funds recognize capital outlays as expenditures versus as capital assets in the Statement of Net Assets.	1,034,403
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(1,120,687)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>2,078,408</u>

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

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 11,563,515	\$ 11,563,515	\$ 13,002,931	\$ 1,439,416
State sources	12,290,545	12,290,545	12,488,465	197,920
Federal sources	783,690	783,690	1,067,758	284,068
TOTAL REVENUES	<u>24,637,750</u>	<u>24,637,750</u>	<u>26,559,154</u>	<u>1,921,404</u>
OTHER FINANCING SOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>24,637,750</u>	<u>24,637,750</u>	<u>26,559,154</u>	<u>1,921,404</u>
EXPENDITURES				
Instruction	15,424,649	15,424,649	15,477,076	(52,427)
Support services	7,283,896	7,283,896	7,348,813	(64,917)
Operation of non-instructional services	366,060	366,060	401,939	(35,879)
Facilities acquisition, construction, and improvement services	<u>0</u>	<u>0</u>	<u>745,528</u>	<u>(745,528)</u>
TOTAL EXPENDITURES	<u>23,074,605</u>	<u>23,074,605</u>	<u>23,973,356</u>	<u>(898,751)</u>
OTHER FINANCING (USES)				
Debt service	2,034,137	2,034,137	2,034,137	0
Budgetary reserve	0	0	0	0
Transfers	<u>49,408</u>	<u>49,408</u>	<u>0</u>	<u>49,408</u>
TOTAL OTHER FINANCING (USES)	<u>2,083,545</u>	<u>2,083,545</u>	<u>2,034,137</u>	<u>49,408</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	<u>25,158,150</u>	<u>25,158,150</u>	<u>26,007,493</u>	<u>(849,343)</u>
NET CHANGE IN FUND BALANCES	<u>(520,400)</u>	<u>(520,400)</u>	<u>551,661</u>	<u>1,072,061</u>
FUND BALANCE - BEGINNING OF YEAR	<u>4,874,657</u>	<u>4,874,657</u>	<u>5,895,360</u>	<u>1,020,703</u>
PRIOR PERIOD ADJUSTMENT	<u>0</u>	<u>0</u>	<u>112,771</u>	<u>112,771</u>
FUND BALANCE - BEGINNING - AS RESTATED	<u>4,874,657</u>	<u>4,874,657</u>	<u>6,008,131</u>	<u>1,133,474</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,354,257</u>	<u>\$ 4,354,257</u>	<u>\$ 6,559,792</u>	<u>\$ 2,205,535</u>

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2021

	<u>Food Service</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash	\$ 375,294
Intergovernmental receivables	0
Internal balances	334,950
Inventories	<u>9,847</u>
TOTAL CURRENT ASSETS	<u>720,091</u>
NON-CURRENT ASSETS	
Machinery and equipment	451,753
Less: accumulated depreciation	<u>(359,563)</u>
TOTAL NON-CURRENT ASSETS	<u>92,190</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 812,281</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES	
Internal balances	\$ 135,342
Accounts payable	<u>20,863</u>
TOTAL CURRENT LIABILITIES	<u>156,205</u>
DEFERRED INFLOWS OF RESOURCES	25,219
NET POSITION	
Invested in capital assets - net of related debt	92,190
Unrestricted	<u>538,667</u>
TOTAL NET POSITION	<u>630,857</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 812,281</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Food Service</u>
OPERATING REVENUES	
Local sources:	
Food service revenues	\$ 99,783
TOTAL OPERATING REVENUES	<u>99,783</u>
OPERATING EXPENSES	
Other purchased services	889,220
Supplies	12,615
Depreciation	9,717
Dues and fees	332
TOTAL OPERATING EXPENSES	<u>911,884</u>
OPERATING (LOSS)	(812,101)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	94
State sources	30,312
Federal sources	784,174
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>814,580</u>
CHANGE IN NET POSITION	2,479
NET POSITION - BEGINNING OF YEAR	<u>628,378</u>
NET POSITION - END OF YEAR	<u><u>\$ 630,857</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Food Service
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and intergovernments	\$ 94,132
Cash paid to suppliers	<u>(899,811)</u>
NET CASH (USED FOR) OPERATING ACTIVITIES	<u>(805,679)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants and subsidies received from non-operating activities:	
State sources	30,312
Federal sources	<u>784,174</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>814,486</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	<u>(32,382)</u>
NET CASH (USED FOR) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(32,382)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>94</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(23,481)</u>
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>398,775</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>375,294</u></u>
 OPERATING (LOSS)	\$ (812,101)
 ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Depreciation	9,717
Changes in current assets and current liabilities	
(Increase) Decrease in inventories	6,984
Increase (Decrease) in accounts payable	(28,886)
(Increase) Decrease in Accounts Receivable	2,850
Increase (Decrease) in advance to other funds	24,258
Increase (Decrease) in deferred revenue	<u>(8,501)</u>
TOTAL ADJUSTMENTS	<u>6,422</u>
 TOTAL CASH (USED FOR) OPERATING ACTIVITIES	\$ <u><u>(805,679)</u></u>

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

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private Purpose Trust	Activity	Total Fiduciary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash	\$ 0	\$ 159,558	\$ 159,558
Interfund accounts receivable	0	360	360
TOTAL ASSETS	<u>0</u>	<u>159,918</u>	<u>159,918</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 0</u>	<u>\$ 159,918</u>	<u>\$ 159,918</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Interfund accounts payable	\$ 0	\$ 38,833	\$ 38,833
Other current liabilities	0	1,878	1,878
TOTAL LIABILITIES	<u>0</u>	<u>40,711</u>	<u>40,711</u>
DEFERRED INFLOWS OF RESOURCES	0	0	0
NET POSITION			
Restricted for Activity Clubs	0	119,207	119,207
TOTAL NET POSITION	<u>0</u>	<u>119,207</u>	<u>119,207</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 0</u>	<u>\$ 159,918</u>	<u>\$ 159,918</u>

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

PINE GROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Private Purpose Trust	Activity	Total Fiduciary Funds
ADDITIONS			
Investment income	\$ 0	0	0
Program Income	0	136,423	136,423
TOTAL ADDITIONS	0	136,423	136,423
DEDUCTIONS			
Program Expenses	0	131,732	131,732
TOTAL DEDUCTIONS	0	131,732	131,732
CHANGE IN NET POSITION	0	4,691	4,691
NET POSITION - BEGINNING OF YEAR	93,927	133,360	227,287
PRIOR PERIOD ADJUSTMENT	(93,927)	(18,844)	(112,771)
NET POSITION - BEGINNING - AS RESTATED	0	114,516	114,516
NET POSITION - END OF YEAR	\$ 0	\$ 119,207	\$ 119,207

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The financial statements of the Pine Grove Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

1. Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and results of operations.
2. Financial statements prepared using full-accrual accounting for all of the District's activities.
3. A change in the fund financial statements to focus on major funds.

REPORTING ENTITY

The District does not have any component units nor is the District a component unit of any other primary government.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION

District-wide statements - The statement of net position and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

1. Direct Expenses are those that are clearly identifiable with a specific program.
2. Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
3. Taxes and other items not properly included among program revenues are reported as general revenues.

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION - continued

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary and trust funds. The District also uses the capital projects fund to pay initial functional costs, such as textbooks, involved in opening a facility, therefore all expenditures are not recorded as capital outlay.

The District reports the following major proprietary fund types:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Other fund types:

Agency Funds - These funds account for assets held by the District as an agent for various student groups and clubs.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

All business-type activities and enterprise funds of the district follow FASB Statements and Interpretations on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BUDGETING

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

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

DEPOSITS AND INVESTMENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

INVENTORY

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

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not Depreciated
Land Improvements	20 years
Buildings and Improvements	15-30 years
Furniture and Equipment	5-15 years
Vehicles	3-15 years

COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method, which has no current maximum per employee. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the District-wide financial statements.

FUND EQUITY

In the fund financial statements, governmental funds report fund balance in accordance with GASB Statement No. 54 (see Note 12).

NET POSITION

Net position represents the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

FOOD SERVICE FUND - UNALLOCATED COSTS

The District does not attempt to allocate Building-Wide Costs to the Food Service Fund. Thus, General Fund expenditures (utilities, janitorial services, insurance, etc.) which partially benefit the Food Service Fund are not proportionately recognized within the Food Service Fund. Similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no facilities rental expense).

POST EMPLOYMENT HEALTH CARE BENEFITS - COBRA BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible employees and eligible dependents. Certain requirements are outlined by the federal government for the coverage. The premium plus 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration of 18 months. There is no associated cost to the District under this program, and there are zero participants in the program as of June 30, 2021.

RETIREE BENEFITS

In addition to the pension benefits described in Note 16, the District makes health care benefits available to all eligible employees who retired from the District. The premium is paid in full by the insured who retired prior to June 30, 2012 on or before the tenth day of the month for the actual month covered. The District pays the full cost of retirees who retired as of June 30, 2012 less \$100 contribution by the retiree. There are currently thirty-one participants in the program as of June 30, 2021.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS:

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, a money market mutual fund investment in Pennsylvania Treasurer's Invest Program for Local Government, a money market fund and certificate of deposit, the Pennsylvania School District Liquid Asset Fund (PSDLAF), and cash on hand of \$475. The market values of deposits are equal to the cost of the deposits.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to:

Deposit in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation 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.

At June 30, 2021, the carrying amount of the District's deposits was \$7,504,458. and the bank balance was \$8,010,598. Of the bank balance, \$500,001. was covered by federal depository insurance coverage and \$7,510,598. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS

The investment policy of the school district adheres to state statutes and prudent business practices. The investments of the school district consist of certificates of deposit and U.S. Agency Obligations as authorized by the Board. Investments are stated at cost including accrued interest which approximates market value.

The District invests in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Treasurer's Invest Program for Local Government as authorized by the Board. PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. Pennsylvania Treasurer's Invest Program for Local Government insures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds \$100,000., unless such deposits are secured by (1) Treasurer, federal agencies (collateralized at 102%) or (2) certificates of deposit (collateralized by 120%).

As of June 30, 2021, the District had the following investments.

PA School District Liquid Asset Fund (PSDLAF)	\$ 777,220
	<hr/>
Total Investments	\$ <u>777,220</u>

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PA Invest and PSDLAF act like money market mutual funds in that their objective is to maintain a stable net asset of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS - continued

Interest Rate Risk

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. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year. At June 30, 2021, the District's investments in securities of U.S. agencies had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

Credit Risk

Under Section 4440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS - continued

INVESTMENTS - continued

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer. The District's investments are with PA Invest and Pennsylvania School District's Liquid Asset Fund (PSDLAF).

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND INVESTMENTS

The classification of cash, cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash, Cash Equivalents, and Investments	\$ <u>7,504,458</u>	\$ <u>777,220</u>	\$ <u>8,281,678</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables listed in the General Fund at June 30, 2021, are comprised of the following:

State Share of Social Security	\$ 177,857
State Share of Retirement	830,726
State Share of Rental Subsidy	5,358
State Share of Computer Science Grant	3,889
Federal Programs	1,176,746
Local Programs	151,663
Total Intergovernmental Receivables	\$ <u>2,346,239</u>

PINE GROVE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - GENERAL LONG-TERM DEBT:

A summary of general long-term debt is as follows:

	Accrued Compensated Absences	District Other Post- Employment Benefits	PSERS Other Post- Employment Benefits	PSERS Pension Liability	General Obligation Bond Series of 2012	General Obligation Bond Series of 2015	Total
Balance - June 30, 2020	\$ 654,443	\$ 3,702,410	\$ 1,493,000	\$ 32,841,000	\$ 3,980,000	\$ 3,235,000	\$ 45,905,853
Additions	79,679	450,118	56,000	2,414,000	0	0	2,999,797
Reductions - Payments	0	0	0	0	(1,820,000)	(55,000)	(1,875,000)
Balance - June 30, 2021	\$ 734,122	\$ 4,152,528	\$ 1,549,000	\$ 35,255,000	\$ 2,160,000	\$ 3,180,000	\$ 47,030,650
Due Within One Year					\$ 1,860,000	\$ 55,000	\$ 1,915,000

A summary of general long-term debt, principal maturities, and interest requirements follows:

Year Ending June 30,	General Obligation Bond Series of 2012	General Obligation Bond Series of 2015	Total
2022	\$ 1,913,070	\$ 120,065	\$ 2,033,135
2023	307,500	1,723,965	2,031,465
2024	0	1,495,765	1,495,765
Total	2,220,570	3,339,795	5,560,365
Less: Interest Outstanding Principal	(60,570)	(159,795)	(220,365)
	\$ 2,160,000	\$ 3,180,000	\$ 5,340,000

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - GENERAL LONG-TERM DEBT - continued

General Obligation Bonds - Series of 2012

On June 14, 2012, the District issued \$9,620,000. of General Obligation Bonds – Series of 2012, which was used to advance refund all of the District's outstanding General Obligation Bonds - Series of 2008 and pay certain costs and expenses related to the issuance of the Bonds. Interest rates on the Bonds vary from .45% to 2.50% and mature in various amounts beginning March 1, 2013 and ending March 1, 2023.

General Obligation Bonds - Series of 2015

On May 20, 2015, the District issued \$6,555,000. of General Obligation Bonds – Series of 2015, which was used to advance refund all of the District's outstanding General Obligation Bonds - Series A of 2010 and General Obligation Bond – Series B of 2010 and pay certain costs and expenses related to the issuance of the Bonds. Interest rates on the Bonds vary from .32% to 2.10% and mature in various amounts beginning September 15, 2015 and ending February 5, 2024.

Compensated Absences

The General Long-Term Debt group of accounts includes liability of \$734,122, which represents the amount of compensated absences computed by using unused sick and vacation days at current compensation rates. If an employee separates from service for reasons other than sickness or retirement, no payout is required. If an employee retires with unused compensated absences, the payout policy is as follows:

Emergency and personal - no payout

Vacation (administrative personnel) - limited accumulation of vacation days

Sickness - payout is based on age and years of service in the District.

Other Post-employment Benefits

General Long-Term Debt includes \$4,152,528. and \$1,549,000. of liabilities, which represent other benefits provided upon termination of employment. The reader should consult the separate footnote on these benefits for more information.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS:

A summary of capital asset activity during the fiscal year follows:

	Balance June 30, 2020	Net Additions (Deductions)	Balance June 30, 2021
Governmental Activities:			
Capital Assets, Not Being Depreciated			
Land	\$ 64,449	\$ 0	\$ 64,449
Total Capital Assets, Not Being Depreciated	64,449	0	64,449
Capital Assets, Being Depreciated:			
Buildings and Improvements	48,092,853	44,633	48,137,486
Furniture and Equipment	6,517,428	953,114	7,470,542
Vehicles	148,139	36,656	184,795
Site Improvements	88,109	0	88,109
Total Capital Assets, Being Depreciated	54,846,529	1,034,403	55,880,932
Accumulated Depreciation For:			
Buildings and Improvements	(18,655,796)	(941,567)	(19,597,363)
Furniture and Equipment	(5,970,767)	(165,947)	(6,136,714)
Vehicles	(93,033)	(11,246)	(104,279)
Site Improvements	(21,300)	(1,926)	(23,226)
Total Accumulated Depreciation	(24,740,896)	(1,120,686)	(25,861,582)
Governmental Activities - Capital Assets, Net	\$ 30,170,082	\$ (86,283)	\$ 30,083,799
Business-type Activities:			
Furniture/Equipment	\$ 419,371	\$ 32,382	\$ 451,753
Less: Accumulated Deprecation	(349,846)	(9,717)	(359,563)
Business-type Activities - Capital Assets, Net	\$ 69,525	\$ 22,665	\$ 92,190

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS – continued

Depreciation expense was charged to functions of the District as follows:

Instructional	\$ 633,678
Instructional Student Support	151,496
Student Activities	14,434
Operation	321,079
Total Depreciation Expense	\$ <u>1,120,687</u>

NOTE 6 - INTERFUND OPERATING BALANCES:

Individual fund operating balances for the year ended June 30, 2021 were as follows:

	Due From	Due To
Activities Fund	\$ <u>38,833</u>	\$ <u>360</u>
General Fund	326,308	882,260
Capital Projects	742,483	25,396
Cafeteria Fund	135,342	334,950
Total All Funds	\$ <u>1,242,966</u>	\$ <u>1,242,966</u>

All balances are current and are payable within one year. Balances exist due to normal operating transfers between individual funds

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - TAXES ASSESSED AND DEFERRED REVENUE:

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

Tax Type	Millage/Rate	Assessed Valuation
Real Estate - Schuylkill County	41.75 mills	\$ 9,320,810
Occupation Tax - Act 511	\$200.00/person	1,994,250
Total Assessed Valuation		\$ 11,315,060

The following is the tax calendar showing levy date, payment periods and delinquent dates for the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	November 1 to December 31
Delinquent date	January 1

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible was measurable and available within the 60 days, was recognized as revenue, and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

The balances at June 30, 2021, are as follows:

Tax	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Governmental Funds		
			Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real Estate	\$ 338,439	\$ 0	\$ 338,439	\$ 36,658	\$ 301,781
Earned Income	213,498	0	213,498	213,498	0
Local Service	3,755	0	3,755	3,755	0
Realty Transfer	29,888	0	29,888	29,888	0
Occupational Privilege Tax	1,859,940	278,991	1,580,949	34,090	1,546,859
Tax	\$ 2,445,520	\$ 278,991	\$ 2,166,529	\$ 317,889	\$ 1,848,640

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - BUDGETARY INFORMATION:

No budget versus actual comparison for the Capital Projects Fund has been displayed in the accompanying financial statements as no budget is required nor was adopted for the fund.

NOTE 9 - OPERATING LEASES:

The District leases nine copiers and two mail machines under operating leases. The District has the option to purchase the copiers for fair market value, determined by the lessor, at the end of the lease, or the option to continue the lease on a month-to-month basis. The estimated future minimum rental payments are as follows:

Year Ending June 30,	Amount
<u>2022</u>	\$ <u>15,799</u>
2023	15,799
2024	15,799
2025	15,800
Total	\$ <u>63,197</u>

Rental expense for all operating leases for the year ended June 30, 2021 was \$15,799.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The collective bargaining agreement between the District and the employees expires as follows:

Teaching Staff	June 30, 2023
Support Staff	June 30, 2026
Act 93 Employees	June 30, 2026

GRANT PROGRAMS

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2021, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - REVENUE FROM LOCAL SOURCES:

During the current year, revenues from local sources consisted of the following:

	General Fund	Other Funds	Total
Property Taxes, Current	\$ 8,820,426	\$ 0	\$ 8,820,426
Earned Income Taxes	1,291,104	0	1,291,104
Other Current Taxes	1,165,627	0	1,165,627
Delinquent Taxes	1,078,070	0	1,078,070
Investment Income	49,317	171	49,488
Co-curricular Activities	0	0	0
Other Revenue from Local Sources	598,387	0	598,387
Total	\$ 13,002,931	\$ 171	\$ 13,003,102

NOTE 12 - GASB STATEMENT NO. 54:

On June 15, 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent. Established classifications are as follows:

Nonspendable – Amounts that cannot be spent because they are either in a nonspendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

Committed – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).

Assigned – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

Unassigned – Residual amounts available for any purpose not contained in other classifications.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 - GASB STATEMENT NO. 54 – continued

ORDER OF FUND BALANCE SPENDING POLICY

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, nonspendable fund balances are determined. Then, restricted fund balances for the nongeneral funds are classified as restricted fund balance.

It is possible for the nongeneral funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the nongeneral fund.

MINIMUM FUND BALANCE

The District's school board policy states:

- 1.) The school district will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.
- 2.) The total fund balance, consisting of several portions including committed, assigned and unassigned, may exceed eight percent (8%).
- 3.) If the unassigned portion of the fund balance falls below the threshold of five percent (5%), the board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until five percent (5%) is attained. If the assigned and unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12 - GASB STATEMENT NO. 54 – continued

BALANCE SHEET - GOVERNMENTAL FUNDS			
JUNE 30, 2021			
	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
EQUITY			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	112,771	41,772	154,543
Committed	2,935,716	0	2,935,716
Assigned	1,440,125	0	1,440,125
Unassigned	2,071,180	0	2,071,180
TOTAL FUND BALANCE	\$ <u>6,559,792</u>	\$ <u>41,772</u>	\$ <u>6,601,564</u>

NOTE 13 - RELATED ORGANIZATIONS:

Not included in the School's District financial statements are any Parent-Teacher Associations (PTA), Parent-Teacher Organizations (PTO) and athletic and band booster clubs. These agencies provide services to students and employees of the School District, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School District. The School District does not account for these entities as component units or joint ventures; it does not maintain an ongoing financial interest or have responsibility for these entities.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT:

PLAN DESCRIPTION

The Pine Grove Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

FUNDING POLICY

The contribution requirements of plan members and the District are established and may be amended by the School Board, subject to applicable labor contracts and benefit plans. Plan members are required to pay \$100. per month towards the premium for medical, drugs, dental, and vision. The District pays the remaining premium for the member and remaining premium for member and spouse for those under Act 93 Agreement. The District also pays the full premium for life insurance in varying amounts. The length of benefits coverage ranges from five years or from date of retirement to age 65.

For 2021, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$601,467. These costs are recognized as an expense when claims or premiums are paid.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT - continued

Plan Membership

Inactive plan member or beneficiaries currently receiving benefits	169
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>28</u>
	<u>197</u>

Components of the net OPEB liability

Total OPEB liability	\$ 4,152,528
Plan fiduciary net position	<u>0</u>
Net OPEB Liability	\$ <u>4,152,528</u>

Plan fiduciary net position of the total OPEB liability 0.00%

Sensitivity of the Net OPEB liability to changes in the discount rate

	1.00% Decrease <u>0.86%</u>	Current Discount Rate <u>1.86%</u>	1.00% Increase <u>2.86%</u>
Net OPEB liability (asset)	\$ 4,405,984	\$ 4,152,528	\$ 3,911,919

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

	1% Decrease 5.00% decreasing <u>to 4.00%</u>	Current Healthcare cost Trend Rates 6.00% decreasing to <u>5.00%</u>	1.00% Increase 7.00% decreasing to <u>6.00%</u>
Net OPEB liability (asset)	\$ 3,777,292	\$ 4,152,528	\$ 4,600,846

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT -
continued**

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2020 actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 10% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 20 years.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

For 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 investments are reported at fair value.

General Information about the Pension Plan

PLAN DESCRIPTION

PSERS is a governmental cost-sharing, multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report than can be obtained at www.psers.state.pa.us.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION - continued

BENEFITS PROVIDED

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) 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-3) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and 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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION – continued

CONTRIBUTIONS

Member Contributions:

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

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

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

Members who joined the System after June 30, 2011, automatically contributed at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elected 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 fiscal 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:

The school district's contractually required contribution rate for fiscal year ended June 30, 2021 was 34.29% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,343,748. for the year ended June 30, 2021.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2021, the District reported a liability of \$35,255,000. 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 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, 2021, the District proportion was .0716%, which was an increase of .0014% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$77,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 92,000	\$ 845,000
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	1,550,000	0
Changes in proportion	738,000	307,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
Total All Funds	\$ 2,380,000	\$ 1,152,000

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – continued

\$1,198,000. reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year Ending June 30,	Estimated Amount
2021	\$ (237,000)
2022	348,000
2023	626,000
2024	461,000
Thereafter	0
Total Deferred Outflows/ Inflows of Resources	\$ 1,198,000

The total pension liability at June 30, 2020 was determined by rolling forward the System's total pension liability at 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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – continued

ACTUARIAL ASSUMPTIONS

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 Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private Equity	15.0%	7.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute Return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk Parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.00%	-0.7%
	<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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 15 – PENSION - continued

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS
OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED
TO PENSIONS – 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 DISTRICT'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 position liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 43,618,000	\$ 35,255,000	\$ 28,171,000

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about PSER's 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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS):**

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

For 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System 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’ Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System 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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

Pension Plan Description

PSERS 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.

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 through either their school employer or the PSERS’ Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees

Employer Contributions:

The school districts’ contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 OPEB plan from the District were \$84,000. for the year ended June 30, 2021.

**2. OPEB Liabilities, 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 \$1,549,000. 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, 2021, the District’s proportion was .0717% percent, which was an increase of .0015% from its proportion measured as of June 30, 2020.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

**2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources
and Deferred Inflows of Resources Related to OPEB – continued**

For the year ended June 30, 2021, the District recognized OPEB expense of (\$7,000). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,000	\$ 0
Changes in assumptions	63,000	34,000
Net difference between projected and actual investment earnings	3,000	0
Changes in proportion	42,000	35,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
Total All Funds	\$ 122,000	\$ 69,000

\$53,000. reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Estimated Amount
2021	\$ 3,000
2022	2,000
2023	2,000
2024	20,000
2025	18,000
Thereafter	8,000
Total Deferred Outflows/ Inflows of Resources	\$ 53,000

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

3. 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:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.66% - S&P 20 Year Municipal Bond Rate.
- 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.
- 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.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 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-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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

3. Actuarial Assumptions - continued

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	3.2%	-0.1%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

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.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

3. Actuarial Assumptions - continued

Sensitivity of the System Net OPEB Liability to Change in 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. As of June 30, 2020, 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 System net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 1,549,000	\$ 1,549,000	\$ 1,549,000

Sensitivity of the District's proportionate share 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:

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
District's proportionate share of the net OPEB liability	\$ 1,766,000	\$ 1,549,000	\$ 1,369,000

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

3. Actuarial Assumptions - 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.

NOTE 17 - PRIOR PERIOD ADJUSTMENT:

GASB 84 – TRUST FUND ALLOCATION TO GENERAL FUND

During the year ended June 30, 2021, the District determined that all of the scholarships in the trust fund are decided by employee’s or board of directors. Under GASB 84, these scholarships must be reclassified to the General Fund. The net effect was to increase the general fund restricted fund balance by \$93,927 as of June 30, 2020 and to decrease the trust fund – fund balance by (93,927).

NOTE 18 - PRIOR PERIOD ADJUSTMENT:

GASB 84 – ACTIVITIES FUND ALLOCATION TO GENERAL FUND

During the year ended June 30, 2021, the District determined that some of the student activities in the activities fund are decided by employee’s or board of directors. Under GASB 84, these scholarships must be reclassified to the General Fund. The net effect was to increase the general fund restricted fund balance by \$18,844 as of June 30, 2020 and to decrease the trust fund – fund balance by (18,844).

NOTE 19 – CORONAVIRUS (COVID-19) PANDEMIC DECLARATION:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020 Pennsylvania Governor Tom Wolf proclaimed the existence of a disaster emergency throughout the Commonwealth of Pennsylvania. The duration of the business disruption and related financial impact cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs. The extent to which this virus pandemic may impact our operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at the date of this report, including new information that may emerge concerning the severity of the coronavirus and steps taken to contain the coronavirus or treat its impact, among others.

OTHER SUPPLEMENTAL INFORMATION

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unqualified opinion on the financial statements of Pine Grove Area School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Pine Grove Area School District were disclosed during the audit.
4. No significant deficiencies conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Pine Grove Area School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the Pine Grove Area School District that are to be reported in accordance with 2 CFR section 200.519(a).
7. The program tested as a major program included:

Program	CFDA #
Education Stabilization Fund	84.425
Child Nutrition Cluster	10.553 & 10.555

8. The threshold for distinguishing types A and B Programs was \$750,000.
9. Pine Grove Area School District was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PINE GROVE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grants/ Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2021
U.S. DEPARTMENT OF EDUCATION										
Passed Through State Department of Education:										
E.S.E.A. Title I - 2019-2020	(I)	84.010	013-20-0338	\$ 363,467	07/01/19-09/30/20	\$ 84,445	\$ 150,297	\$ 19,265	\$ 19,265	\$ 85,117
E.S.E.A. Title I - 2020-2021	(I)	84.010	013-21-0338	335,655	07/01/20-09/30/21	217,009	0	335,655	335,655	118,646
E.S.E.A. Title II Improving Teacher Quality - 2019-2020	(I)	84.367	020-20-0338	56,282	07/01/19-09/30/20	13,138	677	25,777	25,777	13,316
E.S.E.A. Title II Improving Teacher Quality - 2020-2021	(I)	84.367	020-21-0338	50,847	07/01/20-09/30/21	32,664	0	50,847	50,847	18,183
E.S.E.A. Title IV Student Support Enrichment - 2019-2020	(I)	84.424	144-20-0338	27,251	07/01/19-09/30/20	6,289	12,577	0	0	6,288
E.S.E.A. Title IV Student Support Enrichment - 2020-2021	(I)	84.424	144-21-0338	27,106	07/01/20-09/30/21	16,681	0	27,106	27,106	10,425
Education Stabilization Fund (Esseer I)	(I) / (CV)	84.425D	200-200338	293,565	03/01/20-09/30/21	185,409	0	293,565	293,565	108,156
Continuity of Education Equity Grant	(I) / (CV)	84.425C	253-200338	17,750	03/01/20-09/30/21	4,671	0	17,750	17,750	13,079
Special Education Covid-19 Impact Mitigation Grant	(I) / (CV)	84.425	252-200338	5,511	07/01/20-09/30/21	2,572	0	5,511	5,511	2,939
Passed Through State Commission on Crime and Delinquency:										
Covid-19 Health & Safety Grant	(I) / (CV)	84.425D	2020-cs-01-35039	45,635	07/01/20-09/30/21	45,635	0	0	0	(45,635)
Passed Through Schuylkill County Intermediate Unit:										
IDEA Part B Allocation	(I)	84.027	62-18-0029	217,164	07/01/20-06/30/21	217,164	0	217,164	217,164	0
IDEA Part B 619 Funds	(I)	84.173	62-18-0029	3,636	07/01/20-06/30/21	3,636	0	3,636	3,636	0
TOTAL DEPARTMENT OF EDUCATION				1,443,869		829,313	163,551	996,276	996,276	330,514
U.S. DEPARTMENT OF TREASURY										
Passed Through State Commission on Crime and Delinquency:										
Covid-19 Health & Safety Grant	(I) / (CV)	21.019	2020-cs-01-33833	183,902	07/01/20-06/30/21	183,902	0	183,902	183,902	0
TOTAL DEPARTMENT OF TREASURY				183,902	0	183,902	0	183,902	183,902	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed Through State Department of Human Services										
Medical Assistance - Access	(I)	93.778	013-11-0338	2,453	07/01/19-06/30/20	1,656	1,656	0	0	0
Medical Assistance - Access	(I)	93.778	013-11-0338	5,053	07/01/20-06/30/21	1,256	0	5,053	5,053	3,797
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				7,506		2,912	1,656	5,053	5,053	3,797
U.S. DEPARTMENT OF AGRICULTURE										
Passed Through State Department of Education										
National School Lunch - 2020-2021	(I)	10.553	129-54-600-3	246,305	07/01/20-06/30/21	246,305	0	246,305	246,305	0
National School Lunch - 2019-2020	(I)	10.555	129-54-600-3	298,506	07/01/19-06/30/20	2,771	2,771	0	0	0
National School Lunch - 2020-2021	(I)	10.555	129-54-600-3	502,229	07/01/20-06/30/21	502,229	0	502,229	502,229	0
National School Lunch - 2019-2020	(S)	N/A	129-54-600-3	19,530	07/01/19-06/30/20	80	80	0	0	0
National School Lunch - 2019-2020	(S)	N/A	129-54-600-3	30,312	07/01/20-06/30/21	30,312	0	30,312	30,312	0
Passed Through State Department of Agriculture:										
Value of USDA Commodities	(I)	10.555	2-07-54-600	31,651	07/01/20-06/30/21 (A)	31,651 (B)	(7,908)	35,640 (C)	35,640 (D)	(3,919)
TOTAL DEPARTMENT OF AGRICULTURE				1,128,533		813,348	(5,057)	814,486	814,486	(3,919)
SUB-TOTAL				2,763,810		1,829,475	160,150	1,999,717	1,999,717	330,392
STATE AWARD EXPENDITURES				49,842		30,392	80	30,312	30,312	0
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,713,652		\$ 1,799,867	\$ 160,230	\$ 1,959,405	\$ 1,959,405	\$ 330,392

Source Code Legend:

- (D) Indicates direct federal financial assistance funding.
- (I) Indicates indirect federal financial assistance funding.
- (S) Indicates State matching funding.

Other Code Legend:

- (A) Indicates value of USDA commodities received in current year.
- (B) Indicates beginning inventory value of USDA commodities.
- (C) Indicates value of USDA commodities used in current year.
- (D) Indicates ending inventory value of USDA commodities.

PINE GROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 2 - COMMODITIES:

The beginning and ending deferred income figures listed represent the beginning and ending commodities inventories in the Cafeteria Fund. These commodities are received through the State from the U.S. Department of Agriculture. The commodities are valued at amounts assigned to the various items by the U.S. Department of Agriculture when the commodities are offered.

NOTE 3 - INDIRECT COSTS:

The district did not charge any indirect costs to any of the federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimis cost rate.

NOTE 4 - CLUSTER PROGRAMS:

The following CFDA's have been deemed a cluster of programs by the Office of Management and Budget and, therefore, are treated as one program in determining the major programs to be audited.

Child Nutrition Cluster		Special Education Cluster (IDEA)	
CFDA #	Expenditures	CFDA #	Expenditures
10.553	\$ 246,305	84.027	\$ 217,164
10.555	537,868	84.173	3,636
Total	\$ 784,173	Total	\$ 220,800

NOTE 5 - MEDICAL ASSISTANCE:

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

**REQUIRED
SUPPLEMENTAL INFORMATION**

PINE GROVE AREA SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	0.0716%	0.0702%	0.0692%	0.0703%	0.0726%	0.0741%	0.0706%	0.0689%
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ 35,255,000	\$ 32,841,000	\$ 33,219,000	\$ 34,720,000	\$ 35,978,000	\$ 32,097,000	\$ 27,944,000	\$ 28,205,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 10,060,337	\$ 9,687,820	\$ 9,313,261	\$ 9,358,282	\$ 9,404,854	\$ 9,532,929	\$ 9,011,116	\$ 8,841,282
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	350.44%	338.99%	356.68%	371.01%	382.55%	336.70%	310.10%	319.01%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	52.24%	54.49%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 3,343,748	\$ 3,144,000	\$ 2,936,000	\$ 2,689,000	\$ 2,310,000	\$ 1,913,000	\$ 1,406,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	(3,343,748)	(3,144,000)	(2,936,000)	(2,689,000)	(2,310,000)	(1,913,000)	(1,406,000)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 10,060,337	\$ 9,687,820	\$ 9,313,261	\$ 9,358,282	\$ 9,404,854	\$ 9,532,929	\$ 9,011,116
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	33.24%	32.45%	31.52%	28.74%	24.56%	24.56%	20.07%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ <u>N/A</u>	\$ <u>N/A</u>	\$ <u>N/A</u>	\$ <u>N/A</u>
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 8,983,234	\$ 8,626,890	\$ 8,626,890	\$ 8,010,119
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)				
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	\$ 4,152,528	\$ 3,702,410	\$ 4,101,045	\$ 3,799,898
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 8,983,234	\$ 8,626,890	\$ 8,626,890	\$ 8,010,119
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	46.23%	42.92%	47.54%	47.44%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB-PSERS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 84,000	\$ 80,000	\$ 77,000	\$ 78,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	(84,000)	(80,000)	(77,000)	(78,000)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ 0	\$ 0	\$ 0	\$ 0
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 10,060,337	\$ 9,687,820	\$ 9,313,261	\$ 9,358,282
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.83%	0.83%	0.83%	0.83%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

PINE GROVE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB-PSERS LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
DISTRICT'S PROPORTION OF THE NET OPEB- PSERS LIABILITY (ASSET)					
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET)	\$ 1,549,000	\$ 1,493,000	\$ 1,443,000	\$ 1,432,000	\$ 1,564,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 10,060,337	\$ 9,687,820	\$ 9,313,261	\$ 9,358,282	\$ 9,404,854
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	15.40%	15.41%	15.49%	15.30%	16.62%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB - PSERS LIABILITY	5.69%	5.56%	5.56%	5.73%	5.47%

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