

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2021

SALISBURY TOWNSHIP SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	13
- Statement of Activities	14
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	15
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	16
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	18
- Budgetary Comparison Statement - General Fund	19
- Statement of Net Position - Proprietary Fund	20
- Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	21
- Statement of Cash Flows - Proprietary Fund	22
- Statement of Net Position - Fiduciary Fund	23
- Statement of Revenues, Expenses and Changes in Net Position - Fiduciary Fund	24
NOTES TO FINANCIAL STATEMENTS	25

SALISBURY TOWNSHIP SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the District's Proportionate Share of the Net Pension Liability	58
Schedule of District Pension Contributions	59
Schedule of the District's Proportionate Share of the Net OPEB Liability – PSERS	60
Schedule of District OPEB Contributions – PSERS	61
Schedule of the District's Net OPEB Liability and Related Ratios – Single Employer Plan	62
SINGLE AUDIT SUPPLEMENT	
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 <i>Government Auditing Standards</i>	63
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	65
Schedule of Expenditures of Federal Awards	67
Notes to Schedule of Expenditures of Federal Awards	69
Schedule of Findings and Recommendations	70



INDEPENDENT AUDITOR'S REPORT

June 13, 2022

Board of School Directors
Salisbury Township School District
Allentown, 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 Salisbury Township School District ("the District"), Allentown, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Board of School Directors
Salisbury Township School District

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 Salisbury Township School District, Allentown, Pennsylvania, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 19 to the financial statements, the District has adopted the requirements of GASB Statement No. 84, "Fiduciary Activities." The statement provides additional guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result, the District now presents a statement of changes in fiduciary net position for its custodial fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, and the schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability – PSERS, schedule of District OPEB contributions – PSERS, and schedule of the District's net OPEB liability and related ratios – single employer plan on pages 58 through 62 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.

Board of School Directors
Salisbury Township School District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 67 and 68 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* ("Uniform Guidance") and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 June 13, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2021

This section of the Salisbury Township School District's ("the District") annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Financial Highlights

- During the 2020 - 2021 fiscal year, the District's total net deficit decreased by 8.82 percent to a deficit of \$43,195,721. The deficit is primarily due to the pension and OPEB reporting under GASB Statements No. 68, No. 71, and No. 75.
- The District's total revenues increased by \$5,351,312, or 14.07 percent.
- The net cost of governmental activities decreased by 13.81 percent to \$29,366,605. The net cost shows the amount needed to be funded by other revenue sources, primarily the District's taxpayers.
- The net deficit of business-type activities decreased by \$59,982 to \$495,110. Revenues decreased 20.37 percent to \$512,621, and expenses decreased 51.07 percent to \$452,639. The unrestricted net deficit as of June 30, 2021 was \$495,110. The deficit is primarily due to the pension reporting under GASB Statements No. 68, No. 71, and No. 75.
- At June 30, 2021, the District had \$48,845,940 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture, and equipment.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements which present different views of the District. The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about activities the District operates like a business, such as food services. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required

**SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

supplementary information that further explains and supports the financial statements with additional information about the District's participation in the PSERS pension plan and a section of supplementary information that includes the single audit results for the District's federal programs.

The following chart summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net position – fiduciary funds • Statement of activities - fiduciary fund
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows of resources/liability/deferred outflows of resources information	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, and short-term and long-term	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, non-financial factors, such as changes in the District's property tax base and the condition of or need for improvements or expansion to existing school facilities are considered.

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

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services, and administrative services. Property taxes along with state formula aid finance most of these activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as food service programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds – not the District as a whole. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliation schedules after each of the governmental funds statements explains the relationship (or differences) between them.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the food service fund.

Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The District's total net deficit was larger on June 30, 2021 than the previous year. The total net deficit decreased 8.82 percent over the course of the year to a deficit of \$43,195,721. The following table presents condensed financial information for the net position of the District as of June 30, 2021 and 2020.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 14,296,938	\$ 7,889,974	\$ 56,664	\$ 137,260	\$ 14,353,602	\$ 8,027,234
Capital Assets, Net	48,827,682	50,090,935	18,258	33,235	48,845,940	50,124,170
Total Assets	63,124,620	57,980,909	74,922	170,495	63,199,542	58,151,404
Deferred Outflow s of Resources	7,742,788	7,194,767	-	102,901	7,742,788	7,297,668
Total Assets and Deferred Outflow s of Resources	70,867,408	65,175,676	74,922	273,396	70,942,330	65,449,072
Current Liabilities	9,224,309	7,931,491	1,514	16,190	9,225,823	7,947,681
Long-term Liabilities	98,007,291	97,178,955	-	773,585	98,007,291	97,952,540
Total Liabilities	107,231,600	105,110,446	1,514	789,775	107,233,114	105,900,221
Deferred Inflow s of Resources	6,336,419	6,885,226	568,518	38,713	6,904,937	6,923,939
Total Liabilities and Deferred Inflow s of Resources	113,568,019	111,995,672	570,032	828,488	114,138,051	112,824,160
Net Position (Deficit):						
Net Investment in Capital Assets	12,722,713	14,120,148	18,258	33,235	12,740,971	14,153,383
Restricted for Capital Projects	893,605	1,808,985	-	-	893,605	1,808,985
Unrestricted (Deficit)	(56,316,929)	(62,749,129)	(513,368)	(588,327)	(56,830,297)	(63,337,456)
Total Net Position (Deficit)	\$ (42,700,611)	\$ (46,819,996)	\$ (495,110)	\$ (555,092)	\$ (43,195,721)	\$ (47,375,088)

The restricted net position in the amount of \$893,605 is set aside to fund future capital improvements. The net deficit in the amount \$43,195,721 is primarily the result of the District's proportionate share of a net pension liability of \$54,261,000 and OPEB liability of \$8,646,324.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes and the basic education subsidy provided by the Commonwealth of Pennsylvania.

The following table presents condensed financial information from the Statement of Activities in a different format. The District's total revenues increased by \$5,351,322, or 14.07 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$29,835,827, or 68.79 percent. Another \$12,509,860, or 28.84 percent, came from operating grants, including funds for student transportation, and retirement and social security subsidies. The remaining 2.37 percent came from other sources, such as charges for service, investment income, and other miscellaneous income sources.

The total cost of all programs and services decreased by \$1,409,503, or 3.47 percent. The District's expenses are predominately related to instructing, caring for, and transporting students (instruction, support services, and operation of school facilities), which represents 95.32 percent, or \$37,364,167, of total expenses. Total revenues exceeded total expenses, which produced an increase in net position of \$4,179,367 over the past year.

Changes in Net Position from Operating Results						
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for Services	\$ 1,001,139	\$ 252,361	\$ 5,051	\$ 213,347	\$ 1,006,190	\$ 465,708
Operating Grants and Contributions	8,375,149	5,445,882	507,529	384,953	8,882,678	5,830,835
General Revenues						
Property Taxes and Other Taxes Levied for General Purposes	29,835,827	27,835,958	-	-	29,835,827	27,835,958
Grants and Contributions not Restricted	3,627,182	3,031,582	-	-	3,627,182	3,031,582
Other	22,981	853,883	41	5,611	23,022	859,494
Total Revenues	42,862,278	37,419,666	512,621	603,911	43,374,899	38,023,577
Expenses:						
Instruction	21,543,137	21,998,967	-	-	21,543,137	21,998,967
Support Services	14,957,121	15,059,395	-	-	14,957,121	15,059,395
Non-instructional Services	863,909	1,024,060	-	-	863,909	1,024,060
Other	1,378,726	1,689,295	452,639	833,318	1,831,365	2,522,613
Total Expenses	38,742,893	39,771,717	452,639	833,318	39,195,532	40,605,035
Transfers	-	(199,270)	-	199,270	-	-
Change in Net Position	\$ 4,119,385	\$ (2,551,321)	\$ 59,982	\$ (30,137)	\$ 4,179,367	\$ (2,581,458)

**SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Presented below is the cost of four major District activities: instruction, support services, non-instructional services, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the amount needed to be funded by other revenue sources, primarily the District's taxpayers. The net cost of governmental activities decreased by 13.81 percent to \$29,366,605.

Net Cost of Governmental Activities

	Total Cost of Services		%	Net Cost of Services		%
	2021	2020	Change 2020-2021	2021	2020	Change 2020-2021
Instruction	\$ 21,543,137	\$ 21,998,967	-2.07%	\$ 14,859,519	\$ 18,579,807	-20.02%
Support Services	14,957,121	15,059,395	-0.68%	12,415,652	13,305,630	-6.69%
Non-instructional Services	863,909	1,024,060	-15.64%	798,496	941,440	-15.18%
Other	1,378,726	1,689,295	-18.38%	1,292,938	1,246,597	3.72%
Total	\$ 38,742,893	\$ 39,771,717	-2.59%	\$ 29,366,605	\$ 34,073,474	-13.81%

Financial Analysis of the District's Funds

At the end of fiscal year 2021, governmental funds had a total fund balance of \$6,590,684, including general fund balance of \$5,697,079 and capital projects fund balance of \$893,605. During 2020 - 2021, the net change in governmental fund balances was an increase of \$4,553,044, or 223 percent. The District has \$893,605 restricted to fund future capital improvements and \$2,451,172 assigned for future needs. The District had \$3,195,710 unassigned fund at the end of the year.

The business-type activities fund had a net deficit of \$495,110, which was a decrease of \$59,982 from the past fiscal year. The deficit is primarily due to the pension reporting under GASB Statements No. 68, No. 71, and the newly implemented GASB Statement No. 75. In addition to the District-wide financial statements, food services are reported in greater detail in the proprietary fund statements.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors did not authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared to amounts actually received and disbursed is provided in the financial statements.

The difference in the 2020 - 2021 revenues and expenditures compared to the budget resulted in an overall favorable variance of \$4,962,424. Revenues had a favorable budget variance of \$4,963,394; this is attributed to additional local and federal funding. Expenditures had a favorable variance from budget of \$56,968; this is attributed to less special program needs in the current year offset by more of a need for regular program and instruction staff expenses. The other financing sources had an unfavorable variance of \$53,474.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the District had \$48,845,940 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture, and equipment. This amount represents a decrease of \$1,278,230, or 2.55 percent from last year. The decrease is attributed to the planned improvements of school facilities being exceeded by current year depreciation expense. Total depreciation expense for the year amounted to \$1,958,070. The following schedule depicts the change in capital assets for the period July 1, 2020 through June 30, 2021. More detailed information about capital assets can be found in the notes to the financial statements.

	Capital Assets						% Change 2020-2021
	Governmental Activities		Business-type Activities		Total		
	2021	2020	2021	2020	2021	2019	
Land	\$ 492,022	\$ 492,022	\$ -	\$ -	\$ 492,022	\$ 492,022	0.00%
Construction-in-progress	-	1,494,645	-	-	-	1,494,645	-100.00%
Site Improvements	1,643,641	1,643,641	-	-	1,643,641	1,643,641	0.00%
Building and Building Improvements	80,565,136	78,475,570	-	-	80,565,136	78,475,570	2.66%
Fixtures and Equipment	9,714,316	9,633,133	461,649	461,649	10,175,965	10,094,782	0.80%
Accumulated Depreciation	(43,587,433)	(41,648,076)	(443,391)	(428,414)	(44,030,824)	(42,076,490)	4.64%
Total	<u>\$ 48,827,682</u>	<u>\$ 50,090,935</u>	<u>\$ 18,258</u>	<u>\$ 33,235</u>	<u>\$ 48,845,940</u>	<u>\$ 50,124,170</u>	<u>-45.06%</u>

Long-term Debt

As of June 30, 2021, the District had \$36,104,969 in general obligation bonds and notes and capital leases outstanding, a decrease of \$2,592,197 over last year. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

	Outstanding Long-term Debt			
	Totals		\$ Change	% Change
	2021	2020	2020-2021	2020-2021
General Obligation Bonds, Notes, and Capital Leases	<u>\$ 36,104,969</u>	<u>\$ 38,697,166</u>	<u>\$ (2,592,197)</u>	<u>-6.70%</u>

Factors Bearing on the District's Future

The District expects moderate growth in the near future as the economy continues to be strong and stable. Act 1 of 2006 and its amendments of 2011 limits the ability of school districts to increase taxes. Additionally, there are no significant alternative funding sources available to the District.

SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021

Health insurance premiums held stable for the 2019 - 2020 school year without an increase due to the Health Care Consortium utilizing some of their rate stabilization funds. Health insurance is expected to continue at zero percent for the 2020 - 2021 fiscal year (the rate is actually increasing by approximately eight percent; the Health Care Consortium is utilizing the rate stabilization fund to reduce the rate). In addition, contributions to the Pennsylvania School Employees' Retirement System were 33.43 percent of payroll for 2018 - 2019 and 34.29 percent for 2019 - 2020. The PSERS rate is projected to continually rise in the near future. The five-year projected rates are: 34.51 percent in 2020 - 2021, 34.94 percent in 2021 - 2022, 35.84 in 2022 - 2023, and 36.30 percent in 2023 - 2024. The "Pension Reform Act," Act 120 of 2010, was signed into law during November 2010. This legislation provides numerous changes to the current PSERS system, primarily for new employees beginning on July 1, 2010. While this Act provides a new structure for management of increased contribution rates for future years, the impact will continue to be significant for a school district the size of Salisbury Township.

On June 3, 2020, the School Board passed a resolution to reconfigure grades within the District. This resulted in moving 5th grade to the middle school and moving all K - 4th grade students to the elementary school formerly known as Truman Elementary. With this grade reconfiguration, the District closed the former Western Salisbury Elementary School, beginning with the 2020 - 2021 academic year. This closure is expected to have an annual budgetary savings between \$750 thousand to \$1 million dollars.

The School Board has been assessing the capital improvement needs for the District since early 2002. On December 2, 2020, the Board passed a resolution to issue debt at a future date. The purpose of this resolution is to restructure the District's current debt service to provide the District with budget flexibility and to create budget surpluses to rebuild the District's fund balance.

The District also entered into a new five-year agreement with the Salisbury Educational Support Personnel Association beginning on July 1, 2020. In this new agreement, all employees agreed to a zero percent wage increase for 2020 - 2021, and all custodial and maintenance staff will receive a 12.5 percent wage reduction for the 2020 - 2021 fiscal year. For the remaining four years on the agreement, beginning on July 1, 2021, all members of the association will receive an annual wage increase at the rate of the Act 1 base index, capped at 3.0 percent. This will allow the District to better align increases in expenses with the potential increase in revenue. In addition to the agreement noted above, all other District employees agreed to a wage freeze for the 2020 - 2021 fiscal year.

The budget for the 2020 - 2021 year is \$153 thousand more than the original budget for 2019 - 2020. The real estate tax increased 1.0361 mills from 19.4745 mills to a millage rate of 20.5106 mills. This represents a 5.3 percent increase. The Act 1 index allowed for a millage increase of 2.6 percent; therefore, the actual tax increase was greater than the maximum rate allowed. The District sought and was approved for two exceptions to the Act 1 referendum requirements due to the increase in pension contributions and special education expenses which exceeded the Act 1 index.

Funding cuts have a significant negative impact on the District and its future planning. While state and federal revenue streams have decreased the educational needs of students, mandated programs continue to increase. Future budgets will require the School Board and administration to work diligently

SALISBURY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021

to find solutions that will provide continued academic excellence in the programs we offer at the same time as staff as program cuts become necessary due to the declining revenue base.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Salisbury Township School District, 1140 Salisbury Road, Allentown, PA 18103.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS:			
Cash and cash equivalents	\$ 1,608,113	\$ 24,086	\$ 1,632,199
Investments	5,819,694	459,401	6,279,095
Taxes receivable, net of allowance	846,695	-	846,695
Internal balances	483,924	(483,924)	-
Due from other governments	4,991,864	47,833	5,039,697
Other receivables	496,451	115	496,566
Inventories	50,000	9,153	59,153
Prepaid expenses	197	-	197
Land	492,022	-	492,022
Site improvements	1,643,641	-	1,643,641
Buildings and improvements	80,565,136	-	80,565,136
Furniture and equipment	9,714,316	461,649	10,175,965
Accumulated depreciation	(43,587,433)	(443,391)	(44,030,824)
TOTAL ASSETS	63,124,620	74,922	63,199,542
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pension	7,327,885	-	7,327,885
Deferred outflows of resources related to OPEB	414,903	-	414,903
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,742,788	-	7,742,788
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 70,867,408	\$ 74,922	\$ 70,942,330
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)			
LIABILITIES:			
Accounts payable	\$ 597,678	\$ -	\$ 597,678
Accrued salaries, payroll withholdings, and benefits	6,144,372	-	6,144,372
Accrued interest payable	226,141	-	226,141
Unearned revenues	-	1,514	1,514
Long-term liabilities:			
Portion due or payable within one year:			
Bonds and note payable, net	2,199,468	-	2,199,468
Capital lease payable	56,650	-	56,650
Portion due or payable after one year:			
Bonds and note payable, net	33,791,923	-	33,791,923
Capital lease payable	56,928	-	56,928
Accumulated compensated absences	1,251,116	-	1,251,116
Net pension liability	54,261,000	-	54,261,000
Net OPEB liability	8,646,324	-	8,646,324
TOTAL LIABILITIES	107,231,600	1,514	107,233,114
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pension	2,501,000	543,688	3,044,688
Deferred inflows of resources related to OPEB	3,835,419	24,830	3,860,249
TOTAL DEFERRED INFLOWS OF RESOURCES	6,336,419	568,518	6,904,937
NET POSITION (DEFICIT):			
Net investment in capital assets	12,722,713	18,258	12,740,971
Restricted for capital projects	893,605	-	893,605
Unrestricted (deficit)	(56,316,929)	(513,368)	(56,830,297)
TOTAL NET POSITION (DEFICIT)	(42,700,611)	(495,110)	(43,195,721)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 70,867,408	\$ 74,922	\$ 70,942,330

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Revenues			Net (Expense) and Changes in Net Deficit			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
GOVERNMENTAL ACTIVITIES:							
Instruction	\$21,543,137	\$ -	\$ 6,683,618	\$ -	\$ (14,859,519)	\$ -	\$ (14,859,519)
Instructional student support	4,724,366	-	347,524	-	(4,376,842)	-	(4,376,842)
Administrative and financial support services	4,254,250	-	264,709	-	(3,989,541)	-	(3,989,541)
Operation and maintenance of plant services	3,416,913	989,480	212,608	-	(2,214,825)	-	(2,214,825)
Pupil transportation	2,561,592	-	727,148	-	(1,834,444)	-	(1,834,444)
Student activities	863,909	11,659	53,754	-	(798,496)	-	(798,496)
Interest on long-term debt	1,378,726	-	85,788	-	(1,292,938)	-	(1,292,938)
TOTAL GOVERNMENTAL ACTIVITIES	<u>38,742,893</u>	<u>1,001,139</u>	<u>8,375,149</u>	<u>-</u>	<u>(29,366,605)</u>	<u>-</u>	<u>(29,366,605)</u>
BUSINESS-TYPE ACTIVITIES:							
Food service	452,639	5,051	507,529	-	-	59,941	59,941
TOTAL BUSINESS-TYPE ACTIVITIES	<u>452,639</u>	<u>5,051</u>	<u>507,529</u>	<u>-</u>	<u>-</u>	<u>59,941</u>	<u>59,941</u>
TOTAL PRIMARY GOVERNMENT	<u>\$39,195,532</u>	<u>\$ 1,006,190</u>	<u>\$ 8,882,678</u>	<u>\$ -</u>	<u>(29,366,605)</u>	<u>59,941</u>	<u>(29,306,664)</u>
GENERAL REVENUES							
Property taxes levied for general purposes					25,723,571	-	25,723,571
Taxes levied for specific purposes					4,112,256	-	4,112,256
Grants and entitlements not restricted to specific programs					3,627,182	-	3,627,182
Investment earnings					22,981	41	23,022
TOTAL GENERAL REVENUES					<u>33,485,990</u>	<u>41</u>	<u>33,486,031</u>
CHANGE IN NET DEFICIT					4,119,385	59,982	4,179,367
NET DEFICIT, BEGINNING OF YEAR					<u>(46,819,996)</u>	<u>(555,092)</u>	<u>(47,375,088)</u>
NET DEFICIT, END OF YEAR					<u>\$ (42,700,611)</u>	<u>\$ (495,110)</u>	<u>\$ (43,195,721)</u>

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Major Funds		Totals
	General Fund	Capital Projects Fund	
ASSETS			
Cash and cash equivalents	\$ 1,608,113	\$ -	\$ 1,608,113
Investments	4,934,389	885,305	5,819,694
Taxes receivable	846,695	-	846,695
Due from other funds	483,924	8,300	492,224
Due from other governments	4,991,864	-	4,991,864
Other receivables	496,451	-	496,451
Inventory	50,000	-	50,000
Prepaid expenditures	197	-	197
TOTAL ASSETS	<u>\$ 13,411,633</u>	<u>\$ 893,605</u>	<u>\$ 14,305,238</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 597,678	\$ -	\$ 597,678
Accrued salaries, payroll withholdings, and benefits	6,144,372	-	6,144,372
Due to other funds	8,300	-	8,300
TOTAL LIABILITIES	<u>6,750,350</u>	<u>-</u>	<u>6,750,350</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues - delinquent taxes	964,204	-	964,204
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>964,204</u>	<u>-</u>	<u>964,204</u>
FUND BALANCES:			
Nonspendable	50,197	-	50,197
Restricted for capital projects	-	893,605	893,605
Assigned	2,451,172	-	2,451,172
Unassigned	3,195,710	-	3,195,710
TOTAL FUND BALANCES	<u>5,697,079</u>	<u>893,605</u>	<u>6,590,684</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 13,411,633</u>	<u>\$ 893,605</u>	<u>\$ 14,305,238</u>

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 6,590,684

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 492,022	
Site improvements	1,643,641	
Buildings and improvements	80,565,136	
Furniture and equipment	9,714,316	
Accumulated depreciation	<u>(43,587,433)</u>	48,827,682

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds and note payable	(35,991,391)	
Capital lease payable	(113,578)	
Accumulated compensated absences	(1,251,116)	
Accrued interest payable	(226,141)	
Net pension liability	(54,261,000)	
Net OPEB liability	<u>(8,646,324)</u>	(100,489,550)

Deferred inflows and outflows of resources related to the District's pension plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred amounts related to pension	7,327,885	
Deferred inflows of resources:		
Deferred amounts related to pension	<u>(2,501,000)</u>	4,826,885

Deferred inflows and outflows of resources related to the District's OPEB plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred amounts related to OPEB	414,903	
Deferred inflows of resources:		
Deferred amounts related to OPEB	<u>(3,835,419)</u>	(3,420,516)

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

964,204

NET DEFICIT OF GOVERNMENTAL ACTIVITIES

\$ (42,700,611)

These accompanying notes are an integral part of these financial statements.

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

	Major Funds		Totals
	General Fund	Capital Projects Fund	
REVENUES			
Local sources	\$ 31,023,063	\$ 1,299	\$ 31,024,362
State sources	7,955,352	-	7,955,352
Federal sources	3,865,937	-	3,865,937
TOTAL REVENUES	<u>42,844,352</u>	<u>1,299</u>	<u>42,845,651</u>
EXPENDITURES			
Current:			
Instruction	19,879,194	-	19,879,194
Support services	13,136,231	32,745	13,168,976
Operation of noninstructional services	816,580	-	816,580
Capital outlays	4,464	883,934	888,398
Debt service	3,635,985	-	3,635,985
TOTAL EXPENDITURES	<u>37,472,454</u>	<u>916,679</u>	<u>38,389,133</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,371,898</u>	<u>(915,380)</u>	<u>4,456,518</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of tax and revenue anticipation note	144,128	-	144,128
Refund of prior year revenue	(52,705)	-	(52,705)
Proceeds from sale of assets	5,103	-	5,103
TOTAL OTHER FINANCING SOURCES	<u>96,526</u>	<u>-</u>	<u>96,526</u>
NET CHANGE IN FUND BALANCES	5,468,424	(915,380)	4,553,044
FUND BALANCES, BEGINNING OF YEAR	<u>228,655</u>	<u>1,808,985</u>	<u>2,037,640</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 5,697,079</u></u>	<u><u>\$ 893,605</u></u>	<u><u>\$ 6,590,684</u></u>

The accompanying notes are an integral part of these financial statements.

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 4,553,044
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,943,093) exceeded capital outlays (\$679,840) during the year.	(1,263,253)
Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds are recorded as deferred inflows of resources. Unavailable revenues increased by this amount this year.	152,628
Repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount of debt repayments, including principal repayments of capital leases.	2,562,729
Governmental funds report bond discounts as other financing uses and bond premiums as other financing sources. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt.	29,468
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid were less than current period compensated absences earned.	(102,210)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless regardless of when it is due.	46,663
In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals exceeds pension contributions during the year.	(2,042,923)
In the statement of activities, OPEB expense reflects the change in net OPEB liability, net of deferrals. In the governmental funds, however, OPEB expenditures reflect payments made to fund the OPEB plan. This is the amount by which the change in net OPEB liability and related deferrals exceeds OPEB contributions during the year.	183,239
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,119,385</u>

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 29,201,215	\$ 29,201,215	\$ 31,023,063	\$ 1,821,848
State sources	7,803,575	7,803,575	7,955,352	151,777
Federal sources	876,168	876,168	3,865,937	2,989,769
TOTAL REVENUES	<u>37,880,958</u>	<u>37,880,958</u>	<u>42,844,352</u>	<u>4,963,394</u>
EXPENDITURES				
Instruction:				
Regular programs	12,886,638	12,886,638	13,187,152	(300,514)
Special programs	6,243,334	6,243,334	5,218,670	1,024,664
Vocational programs	919,745	919,745	992,322	(72,577)
Other instructional programs	187,689	187,689	315,296	(127,607)
Adult education programs	203,602	203,602	165,754	37,848
Total Instruction	<u>20,441,008</u>	<u>20,441,008</u>	<u>19,879,194</u>	<u>561,814</u>
Support services:				
Pupil personnel services	1,650,058	1,650,058	1,757,375	(107,317)
Instructional staff services	1,389,000	1,389,000	1,920,836	(531,836)
Administrative services	2,331,515	2,331,515	2,427,127	(95,612)
Pupil health	679,310	679,310	547,000	132,310
Business services	675,552	675,552	673,072	2,480
Operation and maintenance of plant services	3,048,164	3,048,164	2,832,488	215,676
Student transportation services	2,224,527	2,224,527	2,284,631	(60,104)
Central support services	633,750	633,750	662,285	(28,535)
Other support services	31,766	31,766	31,417	349
Total Support Services	<u>12,663,642</u>	<u>12,663,642</u>	<u>13,136,231</u>	<u>(472,589)</u>
Operation of noninstructional services:				
Student activities	903,002	903,002	816,580	86,422
Total Operation of Noninstructional Services	<u>903,002</u>	<u>903,002</u>	<u>816,580</u>	<u>86,422</u>
Capital outlays	6,000	6,000	4,464	1,536
Debt service	3,517,306	3,517,306	3,635,985	(118,679)
TOTAL EXPENDITURES	<u>37,524,958</u>	<u>37,524,958</u>	<u>37,472,454</u>	<u>56,968</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>356,000</u>	<u>356,000</u>	<u>5,371,898</u>	<u>5,015,898</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of tax and revenue anticipation note	-	-	144,128	(144,128)
Sale of fixed assets	-	-	5,103	(5,103)
Refund of prior year revenue	-	-	(52,705)	52,705
Budgetary reserve	250,000	250,000	-	250,000
Transfers to other funds	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES	<u>150,000</u>	<u>150,000</u>	<u>96,526</u>	<u>(53,474)</u>
NET CHANGE IN FUND BALANCE	506,000	506,000	5,468,424	4,962,424
FUND BALANCE, BEGINNING OF YEAR	<u>228,655</u>	<u>228,655</u>	<u>228,655</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 734,655</u>	<u>\$ 734,655</u>	<u>\$ 5,697,079</u>	<u>\$ 4,962,424</u>

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021**

	Food Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS:	
Cash and cash equivalents	\$ 24,086
Investments	459,401
Due from other governments	47,833
Accounts receivable	115
Inventories	9,153
Furniture and equipment	461,649
Accumulated depreciation	(443,391)
TOTAL ASSETS	558,846
 TOTAL ASSETS	 \$ 558,846
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	
LIABILITIES:	
Due to other funds	\$ 483,924
Unearned revenues	1,514
TOTAL LIABILITIES	485,438
 DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pension	543,688
Deferred inflows related to OPEB	24,830
TOTAL DEFERRED INFLOWS OF RESOURCES	568,518
 NET POSITION (DEFICIT):	
Investment in capital assets	18,258
Unrestricted (deficit)	(513,368)
TOTAL NET POSITION (DEFICIT)	(495,110)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	 \$ 558,846

The accompanying notes are an integral part of these financial statements.

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

	Food Service Fund
OPERATING REVENUES	
Food service revenues	\$ 5,051
Total Operating Revenues	5,051
OPERATING EXPENSES	
Salaries	15,873
Employee benefits	(141,879)
Supplies	562,866
Depreciation	14,977
Dues and fees	802
Total Operating Expenses	452,639
OPERATING LOSS	(447,588)
NONOPERATING REVENUES	
Earnings on investments	41
State sources	18,354
Federal sources	489,175
Total Nonoperating Revenues	507,570
CHANGE IN NET DEFICIT	59,982
NET DEFICIT, BEGINNING OF YEAR	(555,092)
NET DEFICIT, END OF YEAR	\$ (495,110)

The accompanying notes are an integral part of these financial statements.

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

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 5,409
Payments to suppliers	(533,809)
Payments to employees	(14,873)
NET CASH USED BY OPERATING ACTIVITIES	(543,273)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances and transfers from other funds	473,055
State sources	19,195
Federal sources	472,892
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	965,142
CASH FLOWS FROM INVESTING ACTIVITIES:	
Earnings on investments	41
(Purchase) sale of investments	(459,401)
NET CASH USED BY INVESTING ACTIVITIES	(459,360)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37,491)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	61,577
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,086
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (447,588)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	14,977
Donated commodities	44,893
Decrease (Increase) in:	
Deferred outflows of resources - pension	99,581
Deferred outflows of resources - OPEB	3,320
Increase (Decrease) in:	
Accounts payable	(15,034)
Unearned revenues	358
Net pension liability	(740,742)
Net OPEB liability	(32,843)
Deferred inflows of resources - pension	506,489
Deferred inflows of resources - OPEB	23,316
NET CASH USED BY OPERATING ACTIVITIES	\$ (543,273)
<u>SUPPLEMENTAL DISCLOSURE</u>	
Noncash noncapital financing activity:	
USDA donated commodities	\$ 44,893

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2021**

	Custodial Fund Student Activities Fund
ASSETS:	
Cash	\$ 110,678
TOTAL ASSETS	\$ 110,678
LIABILITIES AND NET POSITION:	
LIABILITIES	
Other current liabilities	\$ -
NET POSITION	
Reserved for student activities	110,678
TOTAL LIABILITIES AND NET POSITION	\$ 110,678

The accompanying notes are an integral part of these financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Custodial Fund Student Activities Fund
ADDITIONS:	
Member contributions	\$ 25,345
TOTAL ADDITIONS	25,345
DEDUCTIONS	
Student activities	27,428
TOTAL DEDUCTIONS	27,428
CHANGE IN NET POSITION	(2,083)
NET POSITION, BEGINNING OF YEAR (RESTATED)	112,761
NET POSITION, END OF YEAR	\$ 110,678

The accompanying notes are an integral part of these financial statements.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Salisbury Township School District ("the District") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

The *GASB Codification of Accounting and Financial Reporting Standards* ("GASB Codification") established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, including the athletic fund, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets and to account for funds set aside for future capital needs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately within the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or custodian for individuals, private organizations, and/or governmental units and are, therefore, not available to

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

support the District's own programs. The District accounts for these assets as custodial funds and trust funds. The custodial fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with explicit approval and are subject to revocation of the District governing body. This accounting reflects the District's custodial relationship with the student activity organizations. The trust fund accounts for monies contributed for scholarships and memorials.

trust fund accounts for monies contributed for scholarships and memorials.

Cash and Cash Equivalents

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

Investments consist of external investment pools, which are recorded at amortized cost which approximates fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Taxes receivable are presented net of allowances for estimated uncollectibles of \$23,874. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

- | | | |
|--------------------------|---|-----------------------------------|
| July 1 - August 31 | - | Discount period, 2% of gross levy |
| September 1 - October 31 | - | Face period |
| November 1 - collection | - | Penalty period, 10% of gross levy |
| December 31 | - | Lien date |

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An installment payment plan is available to residential property owners, who have been approved as homestead owners by the Lehigh County Board of Assessments, with three equal installments due as follows:

August 31	-	one third of the gross levy
September 30	-	one third of the gross levy
October 31	-	one third of the gross levy

In order to participate in the installment payment plan, homestead owners must forego the opportunity to make payment at the two percent of gross levy discount rate.

The District's taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal year 2020 - 2021 was 20.51060 mills (\$20.51060 for \$1,000 of assessed valuation) for the entire District.

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs 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, inclusive of ancillary costs.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Site and building improvements	20 years
Furniture and equipment	5 - 20 years

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

Sick leave and severance allowances are recorded as expenditures in the year paid. Upon retirement, the District compensates professional employees and support staff for unused accumulated sick leave at the rate of \$30 per day, provided that the employee has completed 15 years of service within the District and has met the requirements of retirement with the Public School Employees' Retirement System.

District employees who are required to work a twelve-month schedule are credited with vacation rates which vary with length of service and job classification. Vacations generally may not be accumulated into future periods.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has three types of items that qualify for reporting in this category. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension and OPEB liabilities under full accrual basis reporting are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund balances of the governmental funds are classified, if applicable, as follows:

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of School Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of School Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee, the Superintendent, or the Chief Financial Officer may assign amounts for specific purposes. At June 30, 2021, the District had \$2,451,172 in assigned fund balance for capital projects, budget appropriation, unanticipated special education expenses, and unanticipated charter school expenditures.

Unassigned – all other spendable amounts.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of GASB Statement

During the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, "Fiduciary Activities." The purpose of this statement is to establish criteria for identifying and reporting fiduciary activities in order to enhance the consistency and comparability, ultimately increasing the value of the information reported within the financial statements.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by District officials on a uniform form furnished by such Department and submitted to the Board of School Directors for approval prior to the beginning of the fiscal year on July 1.

Under the Taxpayer Relief Act, the District must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the Board of School Directors may hold a public hearing on the budget; and the Board must give at least 10 days' public notice of its intent to adopt such budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education ("PDE") no later than 85 days prior to the date of the election immediately preceding the fiscal year. The PDE is to compare the proposed percentage increase in the rate of any tax with the District's Index and within 10 days, but no later than 75 days, prior to the upcoming election to inform the District whether the proposed percentage increase is less than or equal to the Index. If the PDE determines that a proposed tax increase will exceed the Index, the District must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one or more of the referendum exceptions authorized by the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which the PDE approval is required, the District must publish notice of its intent to seek the PDE approval not less than one week before submitting its request for approval to the PDE and, if the PDE determines to schedule a public hearing on the request, a notice of the date, time, and place of such hearing. The PDE is required by the Taxpayer Relief Act to rule on the District's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if the PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the District must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

petition. The court may schedule a hearing on the petition, and the District must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the District of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court, in approving the petition, shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception, and the appropriate duration of the tax increase. If the court denies the District's petition, such Act permits the District to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If the District seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one or more of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the Board of School Directors may not approve an increase in the tax rate greater than the applicable Index.

The above budgetary procedures will not apply if the District adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax rate that exceeds the Index, and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days and made available for public inspection at least 20 days prior to its adoption, and that at least 10 days' public notice be given of the Board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Excess of Expenditures Over Appropriations

General fund expenditures exceeded appropriations in the following areas:

Instruction – regular programs	\$	300,514
Instruction – vocational programs	\$	72,577
Instruction – other instructional programs	\$	127,607
Support services – pupil personnel services	\$	107,317
Support services – instructional staff services	\$	531,836
Support services – administrative services	\$	95,612
Support services – student transportation services	\$	60,104
Support services – central support services	\$	28,535
Debt service	\$	118,679

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The excess of expenditures over appropriations was financed through savings in expenditures in other areas.

NOTE 3 CASH, POOLED CASH, AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2021, the carrying amount of the District's deposits was \$1,742,877, and the bank balance was \$2,257,464. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,122,159 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining \$885,305 are held by the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of June 30, 2021, PSDLAF was rated AAAM by a nationally recognized statistical rating organization.

Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America; (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth; (c) 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; (d) shares of an investment company registered under the Investment Company Act of 1940; or (e) deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Savings and Loan Insurance Corporation ("FSLIC"), or the National Credit Union Share Insurance Fund ("NCUSIF") to the extent that such accounts are so insured and for any amounts above the insured maximum, provide that approved collateral as provided by law is pledged by the depository.

The District's investments of \$6,279,095 are invested in the Pennsylvania Local Government Investment Trust ("PLGIT") and PSDLAF. PLGIT and PSDLAF are 2a7-like pools. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CASH, POOLED CASH, AND INVESTMENTS (cont'd)

has no regulatory oversight for the pools, which are governed by the Board of Trustees. PLGIT is administered by PFM Asset Management, LLC, and the pool is audited annually by Ernst & Young LLP, an independent certified public accountant. PSDLAF is administered by PMA Financial Network, Inc., and the pool is audited annually by PricewaterhouseCoopers LLP, an independent certified public accountant.

Credit Risk

The District has an investment policy that limits its investment choices in local government investment pools only to the extent it is rated in the highest rating category by a nationally recognized rating agency. As of June 30, 2021, PLGIT and PSDLAF were rated as AAAM by a nationally recognized statistical rating organization.

NOTE 4 UNEARNED REVENUES

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned. Unearned revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 492,022	\$ -	\$ -	\$ 492,022
Construction-in-progress	1,494,645	594,921	2,089,566	-
Total Capital Assets Not Being Depreciated	<u>1,986,667</u>	<u>594,921</u>	<u>2,089,566</u>	<u>492,022</u>
Capital assets being depreciated:				
Site improvements	1,643,641	-	-	1,643,641
Building and improvements	78,475,570	2,089,566	-	80,565,136
Machinery, furniture, and equipment	9,633,133	84,919	3,736	9,714,316
Total Capital Assets Being Depreciated	<u>89,752,344</u>	<u>2,174,485</u>	<u>-</u>	<u>91,923,093</u>
Less accumulated depreciation	41,648,076	1,943,093	3,736	43,587,433
Total Capital Assets Being Depreciated, Net	<u>48,104,268</u>	<u>231,392</u>	<u>-</u>	<u>48,335,660</u>
Governmental Activities Assets, Net	<u>\$50,090,935</u>	<u>\$ 826,313</u>	<u>\$ 2,089,566</u>	<u>\$48,827,682</u>

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 461,649	\$ -	\$ -	\$ 461,649
Less accumulated depreciation	<u>428,414</u>	<u>14,977</u>	<u>-</u>	<u>443,391</u>
Business-type Activities Assets, Net	<u>\$ 33,235</u>	<u>\$ (14,977)</u>	<u>\$ -</u>	<u>\$ 18,258</u>

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

Governmental Activities:

Instruction	\$ 1,141,733
Instructional student support	242,669
Administrative and financial support services	217,897
Operation and maintenance of plant services	162,680
Pupil transportation	131,215
Student activities	<u>46,899</u>

Total Depreciation Expense - Governmental Activities \$ 1,943,093

Business-type Activities:

Food service	<u>\$ 14,977</u>
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NOTE 6 INTERNAL RECEIVABLES AND PAYABLES

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. There was an internal balance of \$483,924 due from the food service fund to the general fund as of June 30, 2021. There was also an internal balance of \$8,300 due from the general fund to the capital projects fund as of June 30, 2021.

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Bonds and note payable, net	\$ 38,057,859	\$ -	\$ 2,066,468	\$ 35,991,391	\$2,199,468
Capital leases payable	639,307	-	525,729	113,578	56,650
Accumulated compensated absences	1,148,906	102,210	-	1,251,116	-
Net pension liability	51,749,258	2,511,742	-	54,261,000	-
Net OPEB liability	8,175,822	470,502	-	8,646,324	-
TOTALS	<u>\$ 99,771,152</u>	<u>\$ 3,084,454</u>	<u>\$ 2,592,197</u>	<u>\$100,263,409</u>	<u>\$2,256,118</u>

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Net pension liability	\$ 740,742	\$ -	\$ 740,742	\$ -	\$ -
Net OPEB liability	32,843	-	32,843	-	-
TOTALS	<u>\$ 773,585</u>	<u>\$ -</u>	<u>\$ 773,585</u>	<u>\$ -</u>	<u>\$ -</u>

Payments of long-term debt are expected to be funded by the general fund.

Bonds and notes payable, net consists of the following:

Bonds and notes payable, at face	\$ 35,955,000
Bond premiums/discounts	<u>36,391</u>
Bonds and notes payable, net	<u>\$ 35,991,391</u>

General Obligation Notes

Series A of 2017, maturing through November 15, 2032, bearing interest ranging from 2.46% to 4.00%, interest payable semi-annually on May 15 and November 15. \$ 5,208,000

Series B of 2017, maturing through November 15, 2023, bearing interest of 2.11% interest payable semi-annually on May 15 and November 15. 3,207,000

General Obligation Bonds

Series of 2015, maturing through April 1, 2026, bearing interest ranging from 2.60% to 3.00%, interest payable semi-annually on April 1 and October 1. 1,050,000

Series A of 2015, maturing through April 1, 2026, bearing interest ranging from 1.50% to 2.50%, interest payable semi-annually on April 1 and October 1. 7,035,000

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Series of 2016, maturing through February 15, 2030, bearing interest ranging from 1.50% to 3.00%, interest payable semi-annually on February 15 and August 15.	2,020,000
Series of 2019, maturing through April 1, 2035, bearing interest ranging from 1.65% to 3.00%, interest payable semi-annually on April 1 and October 1. This debt was issued for the advanced refunding of GOB Series of 2014 and resulted in a cash flow savings of \$656,116 and a present value savings of \$459,587.	8,470,000
Series A of 2019, maturing through February 15, 2028, bearing interest ranging from 1.50% to 4.00%, interest payable semi-annually on February 15 and August 15.	2,910,000
Series of 2020, maturing through February 15, 2037, bearing interest ranging from 1.05% to 2.50%, interest payable semi-annually on February 15 and August 15. This debt was issued for the advance refunding of GOB Series AA of 2015 and resulted in a cash flow savings of \$541,024 and a present value savings of \$386,379. Principal of \$5,720,000 from the Series AA of 2015 remains defeased but outstanding at June 30, 2020.	<u>6,055,000</u>
TOTAL	<u><u>\$ 35,955,000</u></u>

Presented below is a summary of debt requirements to maturity by years:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2022	\$ 2,170,000	\$ 906,783	\$ 3,076,783
2023	2,240,000	861,808	3,101,808
2024	2,344,000	814,152	3,158,152
2025	2,391,000	774,236	3,165,236
2026	2,381,000	717,405	3,098,405
2027 - 2031	11,687,000	2,715,424	14,402,424
2032 - 2036	11,833,000	1,028,378	12,861,378
2037	909,000	22,750	931,750
	<u>\$ 35,955,000</u>	<u>\$ 7,840,936</u>	<u>\$ 43,795,936</u>

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

During the year ended June 30, 2021, the District obtained a tax and revenue anticipation note in the maximum amount of \$3,940,000. The District utilized \$144,128 of this note, which was fully repaid prior to June 30, 2021. No further draws are permitted to be made on this note.

NOTE 8 LEASES

Capital Leases - Lessee

The District has entered into lease agreements as a lessee for financing the acquisition of HVAC and technology equipment used throughout the District. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

ASSET	
Equipment - HVAC	\$ 544,907
Less: accumulated depreciation	<u>(326,944)</u>
Total	<u>\$ 217,963</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30,</u>	
2022	\$ 60,665
2023	60,665
Amount representing interest	<u>(7,752)</u>
Total	<u>\$ 113,578</u>

Operating Leases – Lessee

The District currently is obligated under operating lease agreements for copiers and certain laptops. These leases are considered as operating leases for accounting purposes. The following is a summary of the minimum rental costs for the remaining terms at June 30, 2021:

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LEASES (cont'd)

<u>Year Ending June 30,</u>	
2022	\$ 40,998
2023	40,998
2024	33,792
2025	<u>33,792</u>
	<u>\$ 149,580</u>

Lease expense for the year ended June 30, 2021 was \$52,367.

NOTE 9 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), 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 annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

The PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one 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 became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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 may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service. Benefit terms may be amended by passing a bill in the Pennsylvania House of Representatives and Senate and sending the bill to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the 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 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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (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 percent (Membership Class T-C), or at 7.50 percent (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 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2021, the rate of the employer contribution was 34.51 percent of covered payroll, which was comprised of 33.51 percent for pension contributions, 0.82 percent for healthcare contributions, and 0.18 for the PSERS defined contribution plan. The District's contribution to PSERS for pension for the year ended June 30, 2021 was \$4,618,789.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2021, the District reported a liability of \$54,261,000 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, 2020, the District's proportion was 0.1102 percent, which was a decrease of 0.0020 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$5,983,352. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 2,385,000	\$ -
Difference between expected and actual experience	142,000	1,300,000
Changes in proportions	93,000	1,201,000
Difference between employer contributions and proportionate share of total contributions	89,096	543,688
Contributions subsequent to the date of measurement	<u>4,618,789</u>	<u>-</u>
	<u>\$ 7,327,885</u>	<u>\$ 3,044,688</u>

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

An amount of \$4,618,789 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2022	\$ (650,839)
2023	(326,839)
2024	475,774
2025	<u>(166,312)</u>
	<u>\$ (335,592)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the system's total pension 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 percentage of pay
- Investment return – 7.25 percent, including inflation of 2.75 percent
- Salary increases – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth and, for merit or seniority, increases of 2.25 percent
- 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 long-term expected rate of return on pension plan investments was determined using the 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 PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Public Equity (hedged)	15.0%	5.2%
Fixed Income	15.0%	7.2%
Commodities	36.0%	1.1%
Absolute Return (HF)	8.0%	1.8%
Risk Parity	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real Estate	10.0%	5.5%
Alternative Investments (PE)	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<u>100.0%</u>	

The above was the PSERS 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 used to measure the total pension liability was 7.25 percent. 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 which are 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 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

	1% Decrease <u>6.25%</u>	Current Rate Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Proportionate share of the net pension liability	\$ 67,132,000	\$ 54,261,000	\$ 43,357,000

Pension Plan Fiduciary Net Position

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

NOTE 10 JOINT VENTURES

The District is a participating member of the Lehigh Center & Technical Institute ("the Vo-Tech"). The Vo-Tech is run by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of the debt and operating costs of the Vo-Tech based on the number of students from each district. For fiscal year ended June 30, 2021, the District's share of debt and operating costs was \$992,322. The Vo-Tech prepares financial statements which are available to the public. The financial statements of the Vo-Tech are available from the Vo-Tech located at 4500 Education Park Drive, Schnecksville, PA 18708.

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The PSERS provides premium assistance, which is a governmental cost sharing, multiple-employer other postemployment benefits 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.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

- Have 24½ 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.

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides postemployment benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS plan 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 annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

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. Benefit terms may be amended by passing a bill in the Pennsylvania House of Representatives and Senate and sending the bill to the Governor for approval.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2021, the rate of the employer contribution was 34.51 percent of covered payroll, which was comprised of 33.51 percent for

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

pension contributions, 0.82 percent for healthcare contributions, and 0.18 for the PSERS defined contribution plan. Contributions to the OPEB plan from the District were \$113,023 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the District reported a liability of \$2,379,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1102 percent, which was a decrease of 0.0020 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$111,425. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 4,000	\$ -
Change in assumptions	97,000	52,000
Difference between expected and actual experience	22,000	-
Changes in proportion	10,000	70,000
Difference between employer contributions and proportionate share of total contributions	-	268,331
Contributions subsequent to the date of measurement	<u>113,023</u>	<u>-</u>
	<u>\$ 246,023</u>	<u>\$ 146,831</u>

Change in assumption: The discount rate used to measure the total OPEB liability decreased from 2.79 percent as of June 30, 2019 to 2.66 percent as of June 30, 2020.

An amount of \$113,023 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts will be reported as

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

deferred outflows and resources and deferred inflows of resources relating to pensions and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (1,576)
2023	(2,576)
2024	(3,576)
2025	15,424
2026	3,025
Thereafter	<u>(24,552)</u>
	<u>\$ (13,831)</u>

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 percent of pay
- Investment return – 2.66 percent, S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent 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 percent
 - Eligible retirees will elect to participate post-age 65 at 70 percent

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method – market value
- Participation rate – 63 percent of eligible retirees are assumed to elect premium assistance.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
U.S. core fixed income	46.5%	(0.1%)
Non-U.S. developed fixed income	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 percent. 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 percent, which

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's 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 \$1,200 per year cap, which is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2020, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 2,379,000	\$ 2,379,000	\$ 2,379,000

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 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.66 percent) or one percentage point higher (3.66 percent) 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	\$ 2,712,000	\$ 2,379,000	\$ 2,103,000

OPEB Plan Fiduciary Net Position

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

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA, with the District paying the remaining cost. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Participants

As of June 30, 2021, the Plan had 190 participants, consisting of 170 active participants, and 20 inactive participants currently receiving benefit payments.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2021, the District paid \$262,914 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2021. The total OPEB liability as of June 30, 2021 was determined by rolling forward the system's total OPEB liability as of the June 30, 2020 actuarial valuation to the June 30, 2021 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount rate was 2.18 percent based on the S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2021.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 12 years of service are shown below. Rates for new employees start at 22.9 percent for both men and women and decrease with age and service.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

Mortality

Mortality rates are based on the Buck Modified 2016 projection scale.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

<u>Age</u>	<u>Age 55 and 25 Years of Service</u>		<u>Superannuation</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are assumed to be three percent annually.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of future eligible retirees are assumed to elect coverage in the plan. Ten percent of spouses of eligible retirees are assumed to elect coverage in the plan.

Percent Married at Retirement

Ten percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims costs for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Male</u>	<u>Female</u>
45 - 49	\$ 6,090	\$ 8,795
50 - 54	\$ 8,065	\$ 9,940
55 - 59	\$ 9,823	\$ 10,400
60 - 64	\$ 12,818	\$ 11,948

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend Rate

The healthcare cost trend rate was 5.5 percent in 2019 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 4.0 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of November 2019. Due to the timing of District turnover, the data is believed to be representative of the population for the 2019 - 2020 school year.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease <u>1.18%</u>	Current Rate <u>2.18%</u>	1% Increase <u>3.18%</u>
Net OPEB liability	\$ 6,663,678	\$ 6,267,324	\$ 5,884,382

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease <u> </u>	Current Healthcare Trend Rate <u> </u>	1% Increase <u> </u>
Net OPEB liability	\$ 5,511,856	\$ 6,267,324	\$ 7,150,384

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Changes in total OPEB liability:

Total OPEB obligation as of June 30, 2020	\$ 5,822,665
Service cost	361,220
Interest on OPEB obligation	160,703
Changes of assumptions	185,650
Benefit payments	<u>(262,914)</u>
Total OPEB obligation as of June 30, 2021	\$ 6,267,324
Fiduciary net position	<u>-</u>
Net OPEB obligation as of June 30, 2021	<u>\$ 6,267,324</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$(15,205) for the year ended June 30, 2020. At June 30, 2020, the District reported deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 2,812,087
Changes of assumptions	<u>168,880</u>	<u>901,331</u>
	<u>\$ 168,880</u>	<u>\$ 3,713,418</u>

Amounts will be reported as deferred outflows and resources and deferred inflows of resources relating to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (445,955)
2023	(445,955)
2024	(445,955)
2025	(445,783)
2026	(445,312)
Thereafter	<u>(1,315,578)</u>
	<u>\$ (3,544,538)</u>

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 AGGREGATION OF NET OPEB LIABILITY

The District's reconciliation of net OPEB liability and related deferrals is as follows:

	PSERS Healthcare Premium Assistance Plan (See Note 11)	District Postemployment Healthcare Plan (See Note 12)	Total
Deferred outflows related to OPEB	\$ 246,023	\$ 168,880	\$ 414,903
Net OPEB liability	\$ 2,379,000	\$ 6,267,324	\$ 8,646,324
Deferred inflows related to OPEB	\$ 146,831	\$ 3,713,418	\$ 3,860,249

NOTE 14 FUND BALANCES

As of June 30, 2021, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:			
Inventory	\$ 50,000	\$ -	\$ 50,000
Prepaid expenditures	197	-	197
Restricted:			
Capital projects	-	893,605	893,605
Assigned:			
Future needs	2,451,172	-	2,451,172
Unassigned	3,195,710	-	3,195,710
Total Fund Balances	<u>\$ 5,697,079</u>	<u>\$ 893,605</u>	<u>\$ 6,590,684</u>

NOTE 15 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2020 - 2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 17 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$56,316,929, \$513,368, and \$513,368, respectively, includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension liability and net OPEB liability, the unamortized portion of contributions made in excess of the District's share of its contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the District's share of the net pension liability and net OPEB liability. This is offset by the District's actuarially determined pension liability and net OPEB liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 18 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2021, economic and operational uncertainties have arisen which may impact the District in fiscal year 2022. There exist uncertainties surrounding the District's operations in the 2021 - 2022 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

In accordance with adoption of GASB Statement No. 84, as discussed in Note 1, the District has restated its July 1, 2020 net position in its fiduciary activities to record the custodial fund's net position at June 30, 2020. The net result of this change is an increase of \$112,761 in net position of its custodial fund.

NOTE 19 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through June 13, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SALISBURY TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.1102%	0.1122%	0.1141%	0.1133%	0.1137%	0.1045%	0.1051%
District's proportion of the net pension liability - dollar value	\$ 54,261,000	\$ 52,490,000	\$ 54,774,000	\$ 55,957,000	\$ 56,346,000	\$ 45,264,000	\$ 41,599,000
District's covered employee payroll	\$ 15,537,362	\$ 15,500,798	\$ 15,638,148	\$ 15,309,375	\$ 14,427,365	\$ 13,441,695	\$ 12,976,658
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	349.23%	338.63%	350.26%	365.51%	390.55%	336.74%	320.57%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,618,789	\$ 5,183,264	\$ 5,053,260	\$ 4,963,715	\$ 4,470,959	\$ 3,607,435	\$ 2,755,547
Contributions in relation to the contractually required contribution	<u>4,618,789</u>	<u>5,183,264</u>	<u>5,053,260</u>	<u>4,963,715</u>	<u>4,470,959</u>	<u>3,607,435</u>	<u>2,755,547</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 13,783,315	\$ 15,537,362	\$ 15,500,798	\$ 15,638,148	\$ 15,309,375	\$ 14,427,365	\$ 13,441,695
Contributions as a percentage of covered employee payroll	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.1102%	0.1122%	0.1141%	0.1133%
District's proportion of the net OPEB liability - dollar value	\$ 2,379,000	\$ 2,386,000	\$ 2,379,000	\$ 2,308,000
District's covered employee payroll	\$ 15,537,362	\$ 15,500,798	\$ 15,638,148	\$ 15,309,375
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.31%	15.39%	15.21%	15.08%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 113,023	\$ 130,514	\$ 128,657	\$ 127,481
Contributions in relation to the contractually required contribution	<u>113,023</u>	<u>130,514</u>	<u>128,657</u>	<u>127,481</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 13,783,315	\$ 15,537,362	\$ 15,500,798	\$ 15,638,148
Contributions as a percentage of covered employee payroll	0.82%	0.84%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
Single Employer Plan**

	MEASUREMENT DATE			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY				
Service cost	\$ 361,220	\$ 243,277	\$ 420,988	\$ 396,822
Interest on total OPEB liability	160,703	206,038	304,033	291,742
Differences between expected and actual experience	-	(3,512,109)	-	(4,239)
Changes of assumptions	185,650	(1,126,663)	-	-
Benefit payments	(262,914)	(271,938)	(308,793)	(288,596)
NET CHANGE IN TOTAL OPEB LIABILITY	444,659	(4,461,395)	416,228	395,729
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	5,822,665	10,284,060	9,867,832	9,472,193
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 6,267,324</u>	<u>\$ 5,822,665</u>	<u>\$ 10,284,060</u>	<u>\$ 9,867,922</u>
PLAN FIDUCIARY NET POSITION				
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISTRICT'S NET OPEB LIABILITY	<u>\$ 6,267,324</u>	<u>\$ 5,822,665</u>	<u>\$ 10,284,060</u>	<u>\$ 9,867,922</u>
Plan's fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 12,628,357	\$ 12,628,357	\$ 15,500,798	\$ 15,359,145
District's net OPEB liability as a percentage of covered payroll	49.63%	46.11%	66.35%	64.25%
Expected average remaining years of service of all participants	7	7	7	7

SINGLE AUDIT SUPPLEMENT



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

June 13, 2022

Board of School Directors
Salisbury Township School District
Allentown, 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 Salisbury Township School District ("the District"), Allentown, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Board of School Directors
Salisbury Township School District

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP



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

June 13, 2022

Board of School Directors
Salisbury Township School District
Allentown, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Salisbury Township School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 the District's major federal program 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of School Directors
Salisbury Township School District

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

Unmodified Opinion on the Major Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 7/01/2020	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED REVENUE 6/30/2021	PASSED THROUGH TO SUB- RECIPIENTS
<u>U.S. Department of Education</u>											
<u>Passed through Pennsylvania Department of Education</u>											
Title I - Grants to Local Education Agencies	I	84.010	013-20-0370	07/1/19-09/30/20	\$ 223,102	\$ 51,626	\$ 82,805	\$ -	\$ -	\$ 31,179	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-21-0370	07/1/20-09/30/21	446,632	124,714	-	225,676	225,676	100,962	-
Total CFDA #84.010						176,340	82,805	225,676	225,676	132,141	-
Title II - Improving Teacher Quality	I	84.367	020-20-0370	07/01/19-09/30/20	60,619	3,675	8,416	-	-	4,741	-
Title II - Improving Teacher Quality	I	84.367	020-21-0370	07/01/20-09/30/21	71,104	18,961	-	22,044	22,044	3,083	-
Title IIA - Teachers in the Workplace	I	84.367	020-20-0370	07/01/19-09/30/20	25,000	4,545	-	13,000	13,000	8,455	-
Total CFDA #84.367						27,181	8,416	35,044	35,044	16,279	-
Title III - Language Inst LEP	I	84.365	010-20-0370	07/01/19-09/30/20	12,833	7,721	7,721	1,161	1,161	1,161	-
Title III - Language Inst LEP	I	84.365	010-21-0370	07/01/20-09/30/21	13,069	4,356	-	6,694	6,694	2,338	-
Total CFDA #84.365						12,077	7,721	7,855	7,855	3,499	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-20-0370	07/01/19-06/30/20	16,979	3,134	4,261	5,246	5,246	6,373	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-21-0370	07/01/20-06/30/21	16,920	4,512	-	6,336	6,336	1,824	-
Total CFDA #84.424						7,646	4,261	11,582	11,582	8,197	-
ESSER I	I	84.425C	200-20-0370	03/13/20-09/30/22	183,244	28,933	-	10,337	10,337	(18,596)	-
ESSER II	I	84.425C	200-21-0370	03/13/20-09/30/23	1,723,128	80,213	-	-	-	(80,213)	-
ESSER ARP	I	84.425C	223-21-0370	03/13/20-09/30/24	3,485,389	-	-	2,787,077	2,787,077	2,787,077	-
COVID-19 SECIM	I	84.425C	252-20-0370	03/13/20-09/30/22	28,554	7,514	-	9,832	9,832	2,318	-
Total CFDA #84.425C						116,660	-	2,807,246	2,807,246	2,690,586	-
<u>Passed through PCCD</u>											
ESSER	I	84.425C	33548 PCCD	03/13/20-09/30/22	184,417	184,417	-	184,417	184,417	-	-
<u>Subgrant from U.S. Department of Education</u>											
<u>Passed through Carbon Lehigh Intermediate Unit</u>											
IDEA Part B	I	84.027	H027A200093	07/01/19-09/30/20	353,224	353,224	353,224	-	-	-	-
IDEA Part B	I	84.027	H027A210093	07/01/20-09/30/21	381,868	-	-	381,868	381,868	381,868	-
Total CFDA #84.027						353,224	353,224	381,868	381,868	381,868	-
IDEA Preschool	I	84.173	H173A200090	07/01/19-09/30/20	1,631	1,631	1,631	-	-	-	-
IDEA Preschool	I	84.173	H173A210090	07/01/20-09/30/21	3,024	-	-	3,024	3,024	3,024	-
Total CFDA #84.173						1,631	1,631	3,024	3,024	3,024	-
Total Special Education Cluster						354,855	354,855	384,892	384,892	384,892	-
Total U.S. Department of Education						879,176	458,058	3,656,712	3,656,712	3,235,594	-

Continued on next page.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor Project Title	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 7/01/2020	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED REVENUE 6/30/2021	PASSED THROUGH TO SUB- RECIPIENTS
<u>U.S. Department of Agriculture</u>											
<u>Passed through Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	44,893	-	44,893	44,893	-	-
<u>Passed through Pennsylvania Department of Education</u>											
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	73,904	73,904	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	238,067	-	283,361	283,361	45,294	-
Total CFDA #10.555						<u>356,864</u>	<u>73,904</u>	<u>328,254</u>	<u>328,254</u>	<u>45,294</u>	<u>-</u>
National School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	160,921	-	160,921	160,921	-	-
Total CFDA #10.553						<u>517,785</u>	<u>73,904</u>	<u>489,175</u>	<u>489,175</u>	<u>45,294</u>	<u>-</u>
Total Child Nutrition Cluster						<u>517,785</u>	<u>73,904</u>	<u>489,175</u>	<u>489,175</u>	<u>45,294</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>517,785</u>	<u>73,904</u>	<u>489,175</u>	<u>489,175</u>	<u>45,294</u>	<u>-</u>
TOTAL FEDERAL AWARDS						<u>\$ 1,396,961</u>	<u>\$ 531,962</u>	<u>\$ 4,145,887</u>	<u>\$ 4,145,887</u>	<u>\$ 3,280,888</u>	<u>\$ -</u>
TOTAL CFDA 84.425C						<u>\$ 301,077</u>	<u>\$ -</u>	<u>\$ 2,991,663</u>	<u>\$ 2,991,663</u>	<u>\$ 2,690,586</u>	<u>\$ -</u>

Source Code:

I = Indirect Funding

SALISBURY TOWNSHIP SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 include surplus food consumed by the District during the 2020 - 2021 fiscal year.

NOTE D INDIRECT COST RATE

The Salisbury Township School District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE E ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$209,225.

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified? _____ Yes _____ X None
reported
- Noncompliance material to financial _____ Yes _____ X No
statements noted?

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes _____ X No
- Significant deficiency(ies) identified? _____ Yes _____ X None
reported

Type of auditor’s report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

_____ Yes _____ X No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.425C

ESSER Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes _____ X No

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B – FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C – FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.