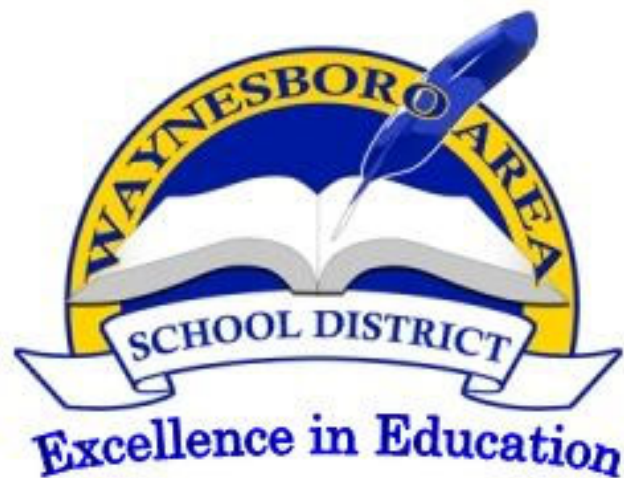


Audited
Financial
Statements

June 30,
2021



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 8
FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	9
Statement of activities	10
Fund financial statements	
Balance sheet - governmental funds	11
Reconciliation of the governmental funds balance sheet to the statement of net position	12
Statement of revenues, expenditures, and changes in fund balance - governmental funds	13
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balance to the statement of activities	14
Statement of net position - proprietary funds	15
Statement of revenues, expenses, and changes in fund net position - proprietary funds	16
Statement of cash flows - proprietary funds	17
Statement of fiduciary net position	18
Statement of changes in fiduciary net position	19
Notes to financial statements	20 - 57
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED	
Budgetary comparison schedule – general fund	58
Schedule of changes on the school district's total pension liability and related ratios – School District Plan	59
Schedule of school district's proportionate share of net pension liability - Public School Employees' Retirement System	60
Schedule of school district's contributions - Public School Employees' Retirement System	61
Schedule of changes in the school district's total OPEB liability and related ratios – School District Plan	62
Schedule of school district's proportionate share of net OPEB liability – Public School Employees' Retirement System	63
Schedule of school district's OPEB contributions – Public School Employees' Retirement System	64
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	65 - 66
Notes to schedule of expenditures of federal awards	67
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	68 - 69
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	70 - 71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72 - 73
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	74

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Waynesboro Area School District
Waynesboro, 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 Waynesboro Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, Waynesboro Area School District adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. See Note 17 for restatement of the implementation of GASB 84. 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 8, budgetary comparison schedule on page 58, and pension and OPEB schedules on pages 59 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waynesboro Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and also is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling 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 March 28, 2022, on our consideration of the Waynesboro Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waynesboro Area School District's internal control over financial reporting and compliance.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
March 28, 2022

WAYNESBORO AREA SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The Management's Discussion and Analysis (MD&A) of the Waynesboro Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The MD&A is to provide the reader with insight into the financial results through management's analysis of the financial statements. This MD&A looks at the School District's financial performance as a whole, although readers should review the Independent Auditor's Report, as well as the financial statements and notes to the financial statements, to augment their understanding of the School District's financial performance.

BACKGROUND

GASB 34 requires accounting for capital assets and long-term liabilities, proper combination of multiple funds, and the use of full accrual accounting, including depreciation expense, as part of the Statements of Net Position and Activities. A condensed comparative analysis of financial statements to the previous year is required and included.

Certain statements (not all-inclusive) required under GASB 34 are:

- ❖ Statement of Net Position
- ❖ Statement of Activities
- ❖ Balance Sheet - Governmental Funds
- ❖ Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
- ❖ Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ❖ Budgetary Comparison Schedule - General Fund

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the School District. In the Waynesboro Area School District, only Food Service is structured as a business activity, subject to a business-type activity classification. The Medical Insurance Fund is allocated between governmental and business-type activities.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two categories of program and general. It identifies program revenue as charges for services, operating grants and capital grants, and then allocates them to particular expense categories where appropriate.

Both the Statement of Net Position and Statement of Activities are presented using the full accrual basis of accounting.

WAYNESBORO AREA SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the statements by outlining the accounting differences that result from presenting the government-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

Funds analyzed in this audit (see footnote number 1 for a detailed description) include:

- ❖ Major Governmental Fund:
 - General Fund
- ❖ Non-Major Governmental Fund
 - Capital Reserve Fund
 - First Choice Fund
- ❖ Proprietary Funds:
 - Food Service Fund (Enterprise Fund)
 - Medical Insurance Fund (Internal Service Fund)
- ❖ Fiduciary Funds:
 - Private Purpose Trust Funds
 - Custodial Fund – Student Activity Accounts

FINANCIAL HIGHLIGHTS

As with all Pennsylvania school districts, GASB 68 required each school district to report the long-term pension liabilities associated with the state-required pension fund titled PSERS. The reporting of these liabilities does not change the fiscal health or continued financial stability of the School District; however, due to the underfunded pension plan, WASD proportionate share of the net pension obligation remains a driving force in our negative Net Position of **(\$ 48.5M)**. Presumably the same situation has affected all other Pennsylvania school districts.

For 2020-21 there were no major capital projects but the School District did take advantage of lower interest rates to refinance all or portions of the Series B of 2012 bonds, Series of 2015 bonds, Series of 2016 bonds, Series A of 2016 bonds, Series B of 2016 bonds as well as the Franklin County Career & Technology Center Series of 2011 bonds.

Key financial highlights for the year ending June 30, 2021, are as follows:

- ❖ Total net position for the Governmental Activities of **(\$ 48,471,197)**.
- ❖ Increase in Net Position of Governmental Activities of **\$ 764,053**.
- ❖ Total fund balance of all governmental funds equaled **\$ 6,698,461**.
- ❖ Fund balance of the general fund equaled **\$ 6,546,099**.
- ❖ The general fund experienced an increase in fund balance of **\$ 2,250,319**.
- ❖ The School District's Food Service Fund experienced a decrease in net position of **(\$ 11,186)**.

WAYNESBORO AREA SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

ANALYSIS OF OVERALL FINANCIAL POSITION

Table 1 summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School District at June 30, 2021 and 2020.

Table 1

	June 30, 2021			June 30, 2020			Comparative Analysis	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	Variance Governmental	Variance Business-Type
Assets								
Current Assets	\$ 15,738,401	\$ 386,026	\$ 16,124,427	\$ 14,831,146	\$ 319,330	\$ 15,150,476	\$ 907,255	\$ 66,696
Noncurrent Assets	60,212,951	853,369	61,066,320	62,564,235	858,202	63,422,437	(2,351,284)	(4,833)
Deferred Outflows of Resources	16,416,918	410,259	16,827,177	13,528,216	393,424	13,921,640	2,888,702	16,835
Total Assets and Deferred Outflows of Resources	<u>\$ 92,368,270</u>	<u>\$ 1,649,654</u>	<u>\$ 94,017,924</u>	<u>\$ 90,923,597</u>	<u>\$ 1,570,956</u>	<u>\$ 92,494,553</u>	<u>\$ 1,444,673</u>	<u>\$ 78,698</u>
Liabilities								
Current Liabilities	\$ 11,624,412	\$ 88,825	\$ 11,713,237	\$ 12,673,721	\$ 101,198	\$ 12,774,919	\$ (1,049,309)	\$ (12,373)
Long-Term Liabilities	125,355,000	2,312,393	127,667,393	122,761,588	2,298,001	125,059,589	2,593,412	14,392
Total Liabilities	<u>136,979,412</u>	<u>2,401,218</u>	<u>139,380,630</u>	<u>135,435,309</u>	<u>2,399,199</u>	<u>137,834,508</u>	<u>1,544,103</u>	<u>2,019</u>
Deferred Inflows of Resources	3,860,055	283,972	4,144,027	4,644,950	297,735	4,942,685	(784,895)	(13,763)
Net Position								
Net Investment in Capital Assets	23,683,347	573,469	24,256,816	23,462,754	522,327	23,985,081	220,593	51,142
Restricted	152,362	-	152,362	119,722	-	119,722	32,640	-
Unrestricted	(72,306,906)	(1,609,005)	(73,915,911)	(72,739,138)	(1,648,305)	(74,387,443)	432,232	39,300
Total Net Position	<u>\$ (48,471,197)</u>	<u>\$ (1,035,536)</u>	<u>\$ (49,506,733)</u>	<u>\$ (49,156,662)</u>	<u>\$ (1,125,978)</u>	<u>\$ (50,282,640)</u>	<u>\$ 685,465</u>	<u>\$ 90,442</u>

RESULTS OF OPERATIONS OVER THE PAST FISCAL YEAR

Table 2 summarizes the revenues, expenses, and changes in net position of the School District for the years ended June 30, 2021 and 2020.

Table 2

	Year Ended June 30, 2021			Year Ended June 30, 2020			Comparative Analysis	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	Variance From Previous Year	Variance From Previous Year
Program Revenues								
Charges for Services	\$ 2,577,458	\$ 166,029	\$ 2,743,487	\$ 2,833,681	\$ 597,581	\$ 3,431,262	\$ (256,223)	\$ (431,552)
Operating Grants and Contributions	16,014,750	1,916,731	17,931,481	13,238,198	1,501,255	14,739,453	2,776,552	415,476
Capital Grants and Contributions	863,104	-	863,104	1,725,409	-	1,725,409	(862,305)	-
General Revenues								
Property Taxes	30,023,315	-	30,023,315	29,459,818	-	29,459,818	563,497	-
Grants and Entitlements	14,507,660	-	14,507,660	14,506,996	-	14,506,996	664	-
Investment Earnings	68,701	250	68,951	141,431	1,933	143,364	(72,730)	(1,683)
Other	300,800	-	300,800	170,356	(890)	169,466	130,444	890
Total Revenues	<u>\$ 64,355,788</u>	<u>\$ 2,083,010</u>	<u>\$ 66,438,798</u>	<u>\$ 62,075,889</u>	<u>\$ 2,099,879</u>	<u>\$ 64,175,768</u>	<u>\$ 2,279,899</u>	<u>\$ (16,869)</u>
Program Expenses								
Instruction	\$ 44,827,391	\$ -	\$ 44,827,391	\$ 47,180,036	\$ -	\$ 47,180,036	\$ (2,352,645)	\$ -
Instructional Student Support	4,854,222	-	4,854,222	5,005,274	-	5,005,274	(151,052)	-
Administrative and Financial Support Services	5,148,780	-	5,148,780	5,524,878	-	5,524,878	(376,098)	-
Operation and Maintenance	4,106,108	-	4,106,108	4,079,405	-	4,079,405	26,703	-
Pupil Transportation	2,896,921	-	2,896,921	2,887,577	-	2,887,577	9,344	-
Student Activities	984,195	-	984,195	1,064,061	-	1,064,061	(79,866)	-
Community Services	36,265	-	36,265	12,293	-	12,293	23,972	-
Interest	737,853	-	737,853	1,055,185	-	1,055,185	(317,332)	-
Food Service	-	2,099,704	2,099,704	-	2,338,117	2,338,117	-	(238,413)
Total Expenses	<u>\$ 63,591,735</u>	<u>\$ 2,099,704</u>	<u>\$ 65,691,439</u>	<u>\$ 66,808,709</u>	<u>\$ 2,338,117</u>	<u>\$ 69,146,826</u>	<u>\$ (3,216,974)</u>	<u>\$ (238,413)</u>
Increase (Decrease) in Net Position	<u>\$ 764,053</u>	<u>\$ (16,694)</u>	<u>\$ 747,359</u>	<u>\$ (4,732,820)</u>	<u>\$ (238,238)</u>	<u>\$ (4,971,058)</u>	<u>\$ 5,496,873</u>	<u>\$ 221,544</u>

WAYNESBORO AREA SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

Balance Sheet/Fund Balances – Total fund balance of all Governmental funds equaled **\$ 6,698,461**. These balances consist of:

- ❖ General Fund – Total fund balance equaled **\$ 6,546,099**, of which \$ 274,942 is committed for future retirement expense and \$ 998,206 is assigned for maintenance projects. The amount of \$ 5,049,026 is unassigned to any specific area.
- ❖ Capital Reserve Funds – **\$ 101,038** – These funds are used for projects including those items intended to maintain the quality and safety of the buildings and equipment.
- ❖ First Choice Fund – **\$ 51,324**. These funds are set aside for a house that has been purchased through community donations and modified as a learning environment for students with special needs.

As of June 30, 2021, the School District held the following other assets and net position:

- ❖ Ending cash and cash equivalents in its Proprietary Fund (Food Service and Internal Service Funds) of **\$ 643,563**.
- ❖ Private Purpose Trust Fund net position of **\$ 129,875**.
- ❖ Custodial Fund net position of **\$ 117,858**.
- ❖ Internal Service Fund (Medical Insurance) net position of **\$ 383,919** which is an increase of **\$ 153,283** over the 2019-20 fiscal year. It should be noted that the School District took a “funding-holiday” of one month with respect to the Internal Service Fund – a strong reflection of a lower claim’s year.
 - This fund accounts for resources derived primarily from premiums collected from other funds or retirees and is used for the payment towards medical claims incurred by the School District employees and dependents. Those claims and the administrative costs are incurred with the Lincoln Benefit Trust.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the School District had a net balance of **\$ 61,031,520** invested in a broad range of capital assets, including land, buildings, and furniture and equipment in the governmental activities and business-type activities. This amount represents a net decrease (including additions, deletions, and depreciation) of **(\$ 2,598,503)**, or (4.1%) from last year. Total depreciation expense for the year was **\$ 2,998,249**. More detailed information about the Capital Assets is included in Note 7 to the financial statements.

Debt Administration

As of June 30, 2021, the School District had total outstanding bond principal of **\$ 36,862,000**. This amount represents a decrease of **(\$ 2,418,000)** from last year, due to normal bond debt payments throughout the year. Other obligations include accrued vacation leave, accrued sick leave conversion to health benefits, and accrued retirement stipend. More detailed information about our long-term liabilities is included in Note 9 to the financial statements.

WAYNESBORO AREA SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

Budget Variances

For the 2020-21 fiscal year, revenues were \$ **2,717,382** higher than the approved budget. The primary reasons for this increase are due to increased local revenues for property and real estate transfer taxes. State revenues received additional funds for the PSERS partial reimbursement, primarily due to increased economic disparity in the district (as the MV AR increase, so too does the reimbursement rate). Additional revenues received include a significant increase in federal stimulus funding for the district to cover pandemic-related expenditures. Revenues for the School District derive from three major sources for the 2020-21 fiscal year and were received as follows: state subsidies and grants were 42.4%, local monies comprised 52.7% and federal monies made up 4.9% of the total revenue. The local percentage is lower than 2019-20, with the federal share increasing due to the pandemic funding. The School District continues to rely heavily on local sources to support its operations, which primarily consist of stable property tax revenues.

Expenditures were above the budgeted amount by \$ **573,662**. The bulk of these additional expenditures were comprised of cyber charter costs. These costs continue to put added pressure on district finances. Salaries and benefits continue to be the largest areas of expense in the budget. For the 2020-21 fiscal year, instructional costs (primarily composed of salaries & benefits) equaled 67.2% of the budget, which is an increase of 0.7%.

Currently Known Facts, Decisions, or Conditions

Future Economic Factors

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

- ❖ The COVID19 pandemic appears to be waning over the last several weeks. For the 2020-21 school year, the School District made the decision to offer instruction in-person, virtually and by hybrid programs. As the School District entered 2021-22, it continued its in-person and online options for students.
- ❖ Rising inflation is affecting the School District, especially concerning the cost of transportation and food. The PDE transportation index will increase by 7% for 2022-23 – the highest increase in over 20 years. Futures in natural gas and electricity generation have also spiked due to inflation and the military conflict in Europe. The School District will need to review all inflation-related expenditures and ensure that it can meet the fiscal needs for our education programs.
- ❖ For the 2021-22 fiscal year, the School District's raised property taxes below the Act 1 inflationary index. Following a no tax increase 2019-20 fiscal year, the School District raised its tax rate to ensure that necessary revenues were received to provide instructional opportunities for our students.
- ❖ The School District finished its collective bargaining agreement in February 2022. The completion of that three-year agreement will assist the School District in retaining and hiring instructional staff, while simultaneously being affordable within the Act 1 tax limits.

Contacting the School District Financial Management

Our financial reporting is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Dr. Tod Kline, Superintendent, at Waynesboro Area School District, 210 Clayton Avenue, Waynesboro, Pennsylvania 17268.

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 8,221,092	\$ 575,531	\$ 8,796,623
Receivables			
Taxes	1,010,146	-	1,010,146
Intergovernmental	6,099,992	62,138	6,162,130
Other	111,512	11,715	123,227
Internal balances	295,659	(295,659)	-
Inventories	-	32,301	32,301
Total current assets	<u>15,738,401</u>	<u>386,026</u>	<u>16,124,427</u>
Noncurrent Assets			
Prepaid bond insurance	34,800	-	34,800
Capital assets not being depreciated			
Land	2,993,119	-	2,993,119
Capital assets being depreciated			
Land improvements	883,522	-	883,522
Buildings and improvements	54,907,233	481,992	55,389,225
Equipment, furniture, and fixtures	<u>1,394,277</u>	<u>371,377</u>	<u>1,765,654</u>
Total noncurrent assets	<u>60,212,951</u>	<u>853,369</u>	<u>61,066,320</u>
Total assets	<u>75,951,352</u>	<u>1,239,395</u>	<u>77,190,747</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	14,533,884	384,712	14,918,596
Deferred outflows related to OPEB liability	1,422,626	25,547	1,448,173
Deferred charge on bond refunding	<u>460,408</u>	<u>-</u>	<u>460,408</u>
Total deferred outflows of resources	<u>16,416,918</u>	<u>410,259</u>	<u>16,827,177</u>
Total assets and deferred outflow of resources	<u>\$ 92,368,270</u>	<u>\$ 1,649,654</u>	<u>\$ 94,017,924</u>
LIABILITIES			
Current liabilities			
Intergovernmental payables	\$ 2,342,870	\$ -	\$ 2,342,870
Accounts payable	434,996	23,411	458,407
Accrued salaries, benefits, and withholdings	5,053,560	9,486	5,063,046
Accrued interest	151,395	-	151,395
Unearned revenue	-	39,013	39,013
Portion due or payable within one year			
General obligation bonds and notes payable	3,304,357	-	3,304,357
Capital lease payable	94,747	-	94,747
Compensated absences	<u>242,487</u>	<u>16,915</u>	<u>259,402</u>
Total current liabilities	<u>11,624,412</u>	<u>88,825</u>	<u>11,713,237</u>
Noncurrent liabilities			
Portion due or payable after one year			
General obligation bonds and notes payable	33,713,613	-	33,713,613
Capital lease payable	122,395	-	122,395
OPEB liability	6,850,680	148,461	6,999,141
Net pension liability	<u>84,668,312</u>	<u>2,163,932</u>	<u>86,832,244</u>
Total noncurrent liabilities	<u>125,355,000</u>	<u>2,312,393</u>	<u>127,667,393</u>
Total liabilities	<u>136,979,412</u>	<u>2,401,218</u>	<u>139,380,630</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	2,772,344	260,049	3,032,393
Deferred inflows related to OPEB liability	<u>1,087,711</u>	<u>23,923</u>	<u>1,111,634</u>
Total deferred inflows of resources	<u>3,860,055</u>	<u>283,972</u>	<u>4,144,027</u>
NET POSITION			
Net investment in capital assets	23,683,347	573,469	24,256,816
Restricted	152,362	-	152,362
Unrestricted	<u>(72,306,906)</u>	<u>(1,609,005)</u>	<u>(73,915,911)</u>
Total net position	<u>(48,471,197)</u>	<u>(1,035,536)</u>	<u>(49,506,733)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 92,368,270</u>	<u>\$ 1,649,654</u>	<u>\$ 94,017,924</u>

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	\$ 44,827,391	\$ 2,557,810	\$ 11,807,912	\$ -	\$ (30,461,669)	\$ -	\$ (30,461,669)
Instructional student support	4,854,222	-	1,040,664	-	(3,813,558)	-	(3,813,558)
Administrative and financial support services	5,148,780	-	663,556	-	(4,485,224)	-	(4,485,224)
Operation and maintenance of plant services	4,106,108	4,289	464,821	64,225	(3,572,773)	-	(3,572,773)
Pupil transportation	2,896,921	-	1,925,603	-	(971,318)	-	(971,318)
Student activities	984,195	15,359	99,917	108,945	(759,974)	-	(759,974)
Community services	36,265	-	12,277	-	(23,988)	-	(23,988)
Interest on long-term debt	737,853	-	-	689,934	(47,919)	-	(47,919)
Total governmental activities	<u>63,591,735</u>	<u>2,577,458</u>	<u>16,014,750</u>	<u>863,104</u>	<u>(44,136,423)</u>	<u>-</u>	<u>(44,136,423)</u>
Business-type activities							
Food services	<u>2,099,704</u>	<u>166,029</u>	<u>1,916,731</u>	<u>-</u>	<u>-</u>	<u>(16,944)</u>	<u>(16,944)</u>
Total primary government	<u>\$ 65,691,439</u>	<u>\$ 2,743,487</u>	<u>\$ 17,931,481</u>	<u>\$ 863,104</u>	<u>(44,136,423)</u>	<u>(16,944)</u>	<u>(44,153,367)</u>
General revenues and expenses:							
Property taxes (levied for general purposes), public utility realty tax,							
earned income tax, and occupation tax					30,023,315	-	30,023,315
Grants, subsidies and contributions not restricted					14,507,660	-	14,507,660
Investment earnings					68,701	250	68,951
Miscellaneous income					<u>300,800</u>	<u>-</u>	<u>300,800</u>
Total general revenues					<u>44,900,476</u>	<u>250</u>	<u>44,900,726</u>
Change in net position					764,053	(16,694)	747,359
Net position - beginning, as restated					<u>(49,235,250)</u>	<u>(1,018,842)</u>	<u>(50,254,092)</u>
Net position - ending					<u>\$ (48,471,197)</u>	<u>\$ (1,035,536)</u>	<u>\$ (49,506,733)</u>

WAYNESBORO AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,000,698	\$ 152,362	\$ 8,153,060
Taxes receivable, net of allowance for uncollectible taxes	1,010,146	-	1,010,146
Due from other funds	201,721	-	201,721
Intergovernmental receivables	6,099,992	-	6,099,992
Other receivables	127,706	-	127,706
Due from other funds - long-term	<u>223,925</u>	<u>-</u>	<u>223,925</u>
Total assets	<u>\$ 15,664,188</u>	<u>\$ 152,362</u>	<u>\$ 15,816,550</u>
LIABILITIES			
Accounts payable	\$ 457,419	\$ -	\$ 457,419
Due to other funds	436,389	-	436,389
Intergovernmental payables	2,342,870	-	2,342,870
Accrued salaries, benefits and withholdings	<u>5,053,560</u>	<u>-</u>	<u>5,053,560</u>
Total liabilities	<u>8,290,238</u>	<u>-</u>	<u>8,290,238</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable tax revenue	<u>827,851</u>	<u>-</u>	<u>827,851</u>
Total deferred inflows of resources	<u>827,851</u>	<u>-</u>	<u>827,851</u>
FUND BALANCES			
Nonspendable fund balance	223,925	-	223,925
Restricted fund balance	-	152,362	152,362
Committed fund balance	274,942	-	274,942
Assigned fund balance	998,206	-	998,206
Unassigned fund balance	<u>5,049,026</u>	<u>-</u>	<u>5,049,026</u>
Total fund balances	<u>6,546,099</u>	<u>152,362</u>	<u>6,698,461</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,664,188</u>	<u>\$ 152,362</u>	<u>\$ 15,816,550</u>

WAYNESBORO AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total fund balances - governmental funds \$ 6,698,461

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	111,479,134	
Accumulated depreciation	<u>(51,300,983)</u>	60,178,151

Certain taxes receivable are not available to pay current period expenditures and therefore are not reported in the fund financial statement, but are reported in governmental activities in the Statement of Net Position.

827,851

An internal service fund is used by management to reimburse the medical insurance carrier for claims filed by School District employees. The portion of net position of the internal service fund related to governmental funds are included in governmental activities in the statement of net position.

380,663

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

34,800

Long-term liabilities and related accrued interest are not due and payable in the current period and thus are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(37,017,970)	
Deferred charge on bond refunding	460,408	
Capital lease payable	(217,142)	
Net Other Post Employment Benefits (OPEB) liability	(6,850,680)	
Deferred outflows related to OPEB liability	1,422,626	
Deferred inflows related to OPEB liability	(1,087,711)	
Net pension liability	(84,668,312)	
Deferred outflows related to pension liability	14,533,884	
Deferred inflows related to pension liability	(2,772,344)	
Accrued interest on bonds	(151,395)	
Compensated absences	<u>(242,487)</u>	<u>(116,591,123)</u>

Net position of governmental activities in the Statement of Net Position \$ (48,471,197)

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2021

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Local revenues			
Taxes	\$ 30,238,265	\$ -	\$ 30,238,265
Investment earnings	68,656	45	68,701
Revenue from intermediate sources	723,394	-	723,394
Other	2,928,641	64,225	2,992,866
State sources	27,324,860	-	27,324,860
Federal sources	3,187,399	-	3,187,399
Total revenues	<u>64,471,215</u>	<u>64,270</u>	<u>64,535,485</u>
EXPENDITURES			
Instruction	41,888,789	-	41,888,789
Support services	15,641,116	-	15,641,116
Operation of noninstructional services	937,056	-	937,056
Facilities acquisition, construction and improvements	170,795	65,120	235,915
Debt service	3,746,214	-	3,746,214
Total expenditures	<u>62,383,970</u>	<u>65,120</u>	<u>62,449,090</u>
Excess of revenues over expenditures	<u>2,087,245</u>	<u>(850)</u>	<u>2,086,395</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term financing	22,152,000	-	22,152,000
Payment to refund bonds	(21,990,689)	-	(21,990,689)
Proceeds from sale of capital assets	1,763	33,490	35,253
Total other financing sources (uses)	<u>163,074</u>	<u>33,490</u>	<u>196,564</u>
Net change in fund balances	<u>2,250,319</u>	<u>32,640</u>	<u>2,282,959</u>
Fund balances - beginning, as restated	<u>4,295,780</u>	<u>119,722</u>	<u>4,415,502</u>
Fund balances - ending	<u>\$ 6,546,099</u>	<u>\$ 152,362</u>	<u>\$ 6,698,461</u>

WAYNESBORO AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2021

Net change in fund balances - total governmental funds **\$ 2,282,959**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays net of retirements differs from depreciation expense in the period.

Capital outlays	333,161	
Depreciation expense	<u>(2,926,831)</u>	(2,593,670)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount during the year. (214,950)

The issuance of long-term obligations (bonds, leases, loans) provides current financial resources to governmental funds, while repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities:

Repayment of general obligation bonds and notes - principal	24,570,000	
Issuance of general obligation bonds	(22,152,000)	
Issuance premium/discount, and interest expense, net of related amortization of bond related costs	<u>167,493</u>	2,585,493

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net change applicable to governmental activities is. 158,791

Governmental funds report capital lease proceeds as current financial resource. In contracts, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report principal repayments of capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction of long-term liabilities. 188,635

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Net pension liability and related deferred outflows and inflows	(1,629,148)	
Accrued interest	49,726	
Net OPEB liability and related deferred outflows and inflows	(77,230)	
Compensated absences	<u>13,447</u>	

Change in net position of governmental activities **\$ 764,053**

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2021

	ENTERPRISE	INTERNAL SERVICE
	Food Service Fund	Medical Insurance Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 572,548	\$ 71,015
Governmental receivables	62,138	-
Due from other funds	-	436,389
Other receivables	11,442	6,502
Inventory	32,301	-
Total current assets	<u>678,429</u>	<u>513,906</u>
Noncurrent Assets		
Building and site improvements	567,820	-
Furniture, equipment and vehicles	1,130,910	-
Accumulated depreciation	<u>(845,361)</u>	<u>-</u>
Total noncurrent assets	<u>853,369</u>	<u>-</u>
Total assets	<u>1,531,798</u>	<u>513,906</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liability	384,712	-
Deferred outflows related to OPEB liability	<u>25,547</u>	<u>-</u>
Total deferred outflows of resources	<u>410,259</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,942,057</u>	<u>\$ 513,906</u>
LIABILITIES		
Current Liabilities		
Accounts payable/accrued insurance claims	\$ 23,411	\$ -
Due to other funds	71,734	129,987
Accrued salaries, benefits and withholdings	9,486	-
Unearned revenue	39,013	-
Compensated absences	<u>16,915</u>	<u>-</u>
Total current liabilities	<u>160,559</u>	<u>129,987</u>
Noncurrent Liabilities		
Due to other funds	223,925	-
OPEB liability	148,461	-
Net pension liability	<u>2,163,932</u>	<u>-</u>
Total noncurrent liabilities	<u>2,536,318</u>	<u>-</u>
Total liabilities	<u>2,696,877</u>	<u>129,987</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liability	260,049	-
Deferred inflows related to OPEB liability	<u>23,923</u>	<u>-</u>
Total deferred inflows of resources	<u>283,972</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	573,469	-
Unrestricted	<u>(1,612,261)</u>	<u>383,919</u>
Total net position	<u>(1,038,792)</u>	<u>383,919</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,942,057</u>	<u>\$ 513,906</u>
RECONCILIATION TO STATEMENT OF NET POSITION		
Net position above	\$ (1,038,792)	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of medical insurance (internal service) fund are included with business-type activities.		
	<u>3,256</u>	
Net position of business-type activities	<u>\$ (1,035,536)</u>	

WAYNESBORO AREA SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2021**

	ENTERPRISE	INTERNAL SERVICE
	Food Service Fund	Medical Insurance Fund
OPERATING REVENUE		
Charges for services/insurance premiums	\$ 188,476	\$ 5,236,026
OPERATING EXPENSES		
Food and milk purchases	721,299	-
Salaries	659,845	-
Employee benefits	465,610	-
Supplies	86,562	-
Depreciation	71,418	-
Purchased services	53,380	-
Repairs and maintenance	26,883	-
Miscellaneous expense	9,199	5,602
Medical insurance claims	-	4,502,133
Stop loss premiums	-	323,030
Administrative fee	-	252,105
Total operating expenses	<u>2,094,196</u>	<u>5,082,870</u>
Operating income (loss)	<u>(1,905,720)</u>	<u>153,156</u>
NONOPERATING REVENUES (EXPENSES)		
Federal subsidies	1,762,178	-
State subsidies	132,106	-
Interest income	<u>250</u>	<u>127</u>
Total nonoperating revenues (expenses)	<u>1,894,534</u>	<u>127</u>
Change in net position	(11,186)	153,283
Total net position - beginning, as restated	<u>(1,027,606)</u>	<u>230,636</u>
Total net position - ending	<u>\$ (1,038,792)</u>	<u>\$ 383,919</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES		
Net position above	\$ (11,186)	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of medical insurance (internal service) fund are included with business-type activities.	<u>(5,508)</u>	
Net position of business-type activities	<u>\$ (16,694)</u>	

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2021

	ENTERPRISE	INTERNAL
	Food	SERVICE
	Service Fund	Medical
		Insurance Fund
Cash flows from operating activities		
Cash received from food sales/insurance premiums	\$ 188,021	\$ 4,799,631
Cash payments to suppliers for goods	(667,262)	-
Cash payments to and on behalf of employees	(1,138,381)	-
Cash payments for services	(80,263)	(4,952,883)
Net cash provided (used) by operating activities	<u>(1,697,885)</u>	<u>(153,252)</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(126,360)	-
Net cash (used) by capital and related financing activities	<u>(126,360)</u>	<u>-</u>
Cash flows from noncapital financing activities		
Federal subsidies	1,632,530	-
State subsidies	132,106	-
Net cash provided by noncapital financing activities	<u>1,764,636</u>	<u>-</u>
Cash flows from investing activities		
Earnings on investments	<u>250</u>	<u>127</u>
Net increase (decrease) in cash and cash equivalents	(59,359)	(153,125)
Cash and cash equivalents - beginning	<u>631,907</u>	<u>224,140</u>
Cash and cash equivalents - ending	<u>\$ 572,548</u>	<u>\$ 71,015</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities		
Cash flows from operating activities		
Operating income (loss)	\$ (1,905,720)	\$ 153,156
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Donated food used	119,492	-
Depreciation	71,418	-
(Increase) decrease in:		
Other receivables	(455)	(6)
Interfund receivables	-	(436,389)
Inventory	23,035	-
(Decrease) increase in:		
Unearned revenue	(13,237)	-
Accounts payable	7,271	-
Interfund payable	22,924	129,987
Net pension liabilities and related items	(15,747)	-
OPEB liability and related items	(459)	-
Accrued salaries and benefits	(6,407)	-
Total adjustments	<u>207,835</u>	<u>(306,408)</u>
Net cash provided (used) by operating activities	<u>\$ (1,697,885)</u>	<u>\$ (153,252)</u>

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2021

	Custodial Funds	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 126,058	\$ 128,872
Investments	-	1,003
Total assets	<u>\$ 126,058</u>	<u>\$ 129,875</u>
LIABILITIES		
Accounts payable	\$ 8,200	\$ -
Total liabilities	<u>8,200</u>	<u>-</u>
NET POSITION		
Restricted for student activities	117,858	-
Held in trust for scholarships	-	129,875
Total net position	<u>117,858</u>	<u>129,875</u>
Total liabilities and net position	<u>\$ 126,058</u>	<u>\$ 129,875</u>

WAYNESBORO AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	Custodial Funds	Private Purpose Trust Fund
ADDITIONS		
Sales	\$ 28,142	\$ -
Fundraising	11,272	-
Donations	1,693	-
Dues	2,807	-
Interest income	<u>66</u>	<u>64</u>
Total increases	<u>43,980</u>	<u>64</u>
DEDUCTIONS		
Supplies	52,269	-
Contributions	5,683	-
Dues	5,754	-
Miscellaneous	245	-
Scholarships and awards/grants	<u>-</u>	<u>4,100</u>
Total deductions	<u>63,951</u>	<u>4,100</u>
Change in net position	(19,971)	(4,036)
Net position - beginning, as restated	<u>137,829</u>	<u>133,911</u>
Net position - ending	<u>\$ 117,858</u>	<u>\$ 129,875</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Waynesboro Area School District (School District) operates a public school system which is comprised of the Boroughs of Waynesboro and Mont Alto and Townships of Quincy, Washington, and part of Guilford in Franklin County, Pennsylvania.

The School District consists of Waynesboro Area Senior High School; Waynesboro Area Middle School; and the Summitview, Fairview Avenue, Hooverville, and Mowrey Elementary Schools; as well as the School District Administration Office.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Waynesboro Area School District.

GASB Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the above criteria, the School District is not included in any other governmental reporting entity and there are no component units of the School District.

Joint Ventures

The following joint ventures are not component units of Waynesboro Area School District and are not included in this report.

Franklin County Career and Technology Center - is a separate legal entity organized by six local school districts to provide services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the Center's operations.

Franklin Learning Center - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the Center's operations.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Ventures (Continued)

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental fund:

General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, occupation taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a legally budgeted fund, and any unassigned fund balances are considered as resources available for use.

The School District reports the following non-major governmental funds:

Capital Reserve Fund

A Capital Reserve Fund was created under Article XI, Municipal Law Code Section 1432, for the sole purpose of funding capital improvements to facilities, deferred maintenance, and purchasing educational equipment and school buses. Funding is provided by surplus monies of the General Fund.

First Choice Fund

The First Choice Fund was created for the sole purpose of accounting for the School District's operation of special education services building. Funding is provided primarily through donations.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

2. Proprietary Funds

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

Food Service Fund (an enterprise fund)

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

Medical Insurance Fund (an internal service fund)

This fund is used to account for resources derived primarily from insurance premiums collected from other funds and for payment of medical claims reported by the insurance carrier, which also acts as the third-party claims processor.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and custodial funds. Private-purpose trust funds consist of bequests that have been established in prior years. Only the earnings are available for the specific purpose of providing awards and scholarships as prescribed by donor stipulation. Officials of the School District determine the winners of the awards and scholarships, which are made only if there are qualified recipients and adequate earnings. Custodial funds are used to account for fiduciary activities not required to be reported in private purpose trust funds. With the adoption of the new accounting principle described in Note 17, Student Activities that were previously presented as Agency Funds were evaluated. Based on the evaluation of the School District's lack of administrative involvement, Student Activities are now presented as Custodial Funds.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses of the food service fund generally result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs. Operating revenues of the internal service fund consist of premium charges to other funds and participants and insurance proceeds, while operating expenses consist of medical claims paid, premiums for stop loss coverage and administrative fees.

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or the Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

During 2020/2021, the School District overspent the budgeted expenditures of the general fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications to the School District.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with an original maturity of less than 90 days owned by the School District.

Inventory

Inventory in the Food Service Fund consists of expendable supplies held for consumption and food and federal government donated commodities that are valued at estimated fair value. The cost of purchased inventories are recorded as an expense when used. The value of donated commodities received are offset by a corresponding expense. The cost of governmental fund inventories are recorded as expenditures when purchased. Governmental fund supplies inventories are not deemed to be significant at June 30, 2021.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land improvements	20 years	N/A
Buildings and improvements	50 years	50 years
Equipment, furniture and fixtures	5 - 20 years	5 - 10 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These will be amortized in future periods.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources at June 30, 2021 consist of various amounts related to pension and OPEB liabilities (on the statement of net position) and unavailable tax revenue (on the governmental funds balance sheet).

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charges on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

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 and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Retirement Plans

The School District contributes to the Public School Employees' Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Standards, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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

In addition, the School District pays a retirement stipend for those employees who retire from the School District with at least 10 years of service. The amount of the payment due is based on a formula that factors in salary and years of service, which is considered a pension liability. This benefit was frozen as of July 1, 2013.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB. The GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Vacation leave only applies to twelve month employees; only ten days of vacation leave are allowed to be carried over at year end. Vacation leave is lost if the employee terminates employment. Unused vacation leave is accrued at June 30, 2021 in the Statement of Net Position and the change during the year is expensed in the Statement of Activities and in proprietary funds. Sick leave is granted as appropriate, and a provision is made annually in the budget for the cost of substitute personnel. There is no payment for unused sick leave at the time of retirement; however, certain employees may elect to utilize unused sick leave at retirement to fund the premiums for future health benefits. The amount being used for this purpose at retirement is reflected in the Statement of Net Position.

Payments for vacation and retirees health benefits are expensed as paid in the governmental fund financial statements.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School's other postemployment benefits are accounted for in accordance with the standards.

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees, or 50% paid for by the administrators. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis. See Note 14 for more information.

PSERS

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

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets and related debt also should be included in this component of net position.

Restricted Net Position: This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation. Restricted net position of \$ 152,362 as of June 30, 2021 is for future capital expenses and donations for the purchase and operation of the First Choice house.

Unrestricted Net Position: This component of net position is the amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Fund Financial Statements (Continued)

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision –making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board or a subordinate high-level body, such as the finance committee, superintendent, or business administrator, that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board may make assignments of fund balance and has authorized the business administrator to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed. Assigned or committed resources would only be used upon specific authorization by the School Board or the Business Administrator in the case of assigned fund balance.

Risks and Uncertainties

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. The financial impact and duration cannot be reasonably estimated at this time.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 CUSTODIAL CREDIT RISK

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 defines allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial risk. As of June 30, 2021, the School District has a bank balance of \$ 9,485,208. Of this balance, \$ 261,449 is covered by FDIC insurance and the remaining balance of \$ 9,223,759 was exposed to custodial credit risk because the collateral securities held by or on behalf of the bank are not in the School District's name but are covered by Pennsylvania Act 72 of 1971.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, per capita and occupational taxes, and other taxes and fees primarily from taxpayers located in the Boroughs of Waynesboro and Mont Alto and the Townships of Quincy, Washington and part of Guilford in Franklin County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of occupation taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Franklin County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE, DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS

Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2021:

Real estate	\$ 909,711
Occupation	<u>951,083</u>
Taxes receivable, gross	1,860,794
Reserve for uncollectible accounts	<u>(850,648)</u>
Taxes receivable, net	1,010,146
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(182,295)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 827,851</u>

The Waynesboro Area School District provides property tax abatement through resolution under the Local Economic Revitalization Tax Assistance Act of December 1, 1977. The Act authorizes specified local governments to provide tax exemption for new construction and improvements to industrial, commercial and other business properties located within certain designated areas. Under the Act, local governments may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions.

The School District's resolution contains two methods by which the LERTA can be revoked. If the property owner fails to pay the nonexempt real estate taxes by the last day of the time period to pay such taxes in the penalty period (unless a lawful appeal has been filed), the LERTA exemption shall be discontinued. Also, there are minimum employment requirements that must be met during the exemption period, or the LERTA is forfeited.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE, DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS (CONTINUED)

The School District has not made any commitments as part of the agreements other than to reduce taxes. The School District is not subject to any tax abatement agreements entered into by other governmental entities.

For the fiscal year ended June 30, 2021, the School District abated property taxes totaling \$ 15,466 under this program. The School District entered into a property tax abatement agreement with a local manufacturing company to stimulate the growth and expansion of a business park within the School District through a resolution on August 13, 2013, under the Act. That resolution exempted 100% of the property improvements in the first year (2016-17), with the exemption decreasing 10% per year for the nine (9) subsequent years. The exemptions would no longer exist after the tenth year, the year ending June 30, 2027. Subsequently, the School District passed a second resolution on May 14, 2019. That resolution exempted 100% of the property resolutions in the first year (2019-20), with a 10% decreasing exemption per year for the nine (9) subsequent years. The exemptions would no longer exist after the tenth year, the year ending June 30, 2030.

NOTE 5 INTERFUND RECEIVABLE AND PAYABLES

Interfund receivables and payables were as follows at June 30, 2021:

Funds	Receivable	Payable
General	\$ 425,646	\$ 436,389
Medical Insurance Fund	436,389	129,987
Food Service	-	295,659
	<u>\$ 862,035</u>	<u>\$ 862,035</u>

The Food Service Fund owes the General Fund for its portion of the middle school renovation and for utilities and benefits paid on behalf of the Food Service Fund. Of this balance, \$ 223,925 will be repaid in more than one year. The Medical Insurance Fund owes the General Fund for additional benefits transferred during the year while the General Fund owes the Medical Insurance Fund for one month's charges.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND PAYABLES (GOVERNMENTAL ACTIVITIES/FUNDS)

Intergovernmental receivables at June 30, 2021 consist of the following:

Local:	Earned income taxes	\$ 846,761
	Deed transfer taxes	74,497
	Other	25,801
	* Abraxas	2,405,467
State:	Social Security	359,105
	Retirement	1,686,878
	Transportation	140,155
Federal:	Various programs	561,328
	Total governmental funds	<u>\$ 6,099,992</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND PAYABLES (GOVERNMENTAL ACTIVITIES/FUNDS) (CONTINUED)

Intergovernmental payables consist of:

Other	\$ 11,260
* Abraxas	<u>2,331,610</u>
Total	<u>\$ 2,342,870</u>

- * Abraxas operates residential treatment programs within the Waynesboro Area School District. The School District has entered into a contract with Abraxas to provide educational services, as mandated by the Pennsylvania Department of Education, and to act as a conduit for tuition collected from each child's school district of residence. The School District keeps 5% of the charges for administrative costs for Abraxas.

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2021:

	Beginning Balance, as restated	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Assets net being depreciated				
Land	\$ 2,993,119	\$ -	\$ -	\$ 2,993,119
Assets being depreciated				
Land improvements	3,186,012	-	-	3,186,012
Building and improvements	96,912,949	-	-	96,912,949
Equipment, furniture and fixtures	<u>8,298,408</u>	<u>333,161</u>	<u>(244,515)</u>	<u>8,387,054</u>
Total cost	<u>111,390,488</u>	<u>333,161</u>	<u>(244,515)</u>	<u>111,479,134</u>
Less accumulated depreciation				
Land improvements	(2,229,794)	(72,696)	-	(2,302,490)
Building and improvements	(39,589,646)	(2,416,070)	-	(42,005,716)
Equipment, furniture and fixtures	<u>(6,799,227)</u>	<u>(438,065)</u>	<u>244,515</u>	<u>(6,992,777)</u>
Total accumulated depreciation	<u>(48,618,667)</u>	<u>(2,926,831)</u>	<u>244,515</u>	<u>(51,300,983)</u>
Capital assets, net	<u>\$ 62,771,821</u>	<u>\$ (2,593,670)</u>	<u>\$ -</u>	<u>\$ 60,178,151</u>
Business-Type Activities				
Cost				
Buildings and improvements	\$ 559,750	\$ 8,070	\$ -	\$ 567,820
Furniture and equipment	<u>1,072,395</u>	<u>58,515</u>	<u>-</u>	<u>1,130,910</u>
Total cost	<u>1,632,145</u>	<u>66,585</u>	<u>-</u>	<u>1,698,730</u>
Less accumulated depreciation				
Buildings and improvements	(63,438)	(22,390)	-	(85,828)
Furniture and equipment	<u>(710,505)</u>	<u>(49,028)</u>	<u>-</u>	<u>(759,533)</u>
Total accumulated depreciation	<u>(773,943)</u>	<u>(71,418)</u>	<u>-</u>	<u>(845,361)</u>
Capital assets, net	<u>\$ 858,202</u>	<u>\$ (4,833)</u>	<u>\$ -</u>	<u>\$ 853,369</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2021 was charged to governmental functions as follows:

Instruction	\$ 2,088,336
Instructional student support	226,047
Administrative and financial support services	239,657
Operation and maintenance of plant services	191,090
Pupil transportation	134,439
Student activities	45,579
Community services	1,683
Total	<u>\$ 2,926,831</u>

NOTE 8 ACCRUED SALARIES, BENEFITS, AND WITHHOLDINGS

Accrued salaries and benefits consist of the following as of June 30, 2021:

	General Fund	Food Service Fund
Accrued salaries	\$ 2,023,144	\$ 8,293
Retirement and OPEB	2,874,687	510
Social Security and other payroll deductions and withholdings	155,729	683
	<u>\$ 5,053,560</u>	<u>\$ 9,486</u>

NOTE 9 LONG-TERM LIABILITIES

The following details activity for the School District's long-term liabilities for the year ended June 30, 2021:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
Bonds						
(A) Series of 2012B	\$ 4,975,000	\$ -	\$ (4,975,000)	\$ -	\$ -	\$ -
(B) Series of 2015	8,540,000	-	(8,235,000)	305,000	305,000	-
(E) Series of 2016B	4,895,000	-	(4,895,000)	-	-	-
(F) Series of 2019	5,900,000	-	(535,000)	5,365,000	580,000	4,785,000
(G) Series of 2019A	9,095,000	-	(55,000)	9,040,000	50,000	8,990,000
Direct Borrowings						
(C) Series of 2016	4,200,000	-	(4,200,000)	-	-	-
(D) Series of 2016A	1,675,000	-	(1,675,000)	-	-	-
(H) Series of 2020	-	9,995,000	-	9,995,000	50,000	9,945,000
(I) Series of 2021	-	12,157,000	-	12,157,000	2,297,000	9,860,000
Bond premium	395,954	-	(159,269)	236,685	30,570	206,115
Bond discount	(94,123)	-	13,408	(80,715)	(8,213)	(72,502)
Subtotal - bonds and direct borrowings	<u>39,581,831</u>	<u>22,152,000</u>	<u>(24,715,861)</u>	<u>37,017,970</u>	<u>3,304,357</u>	<u>33,713,613</u>
Compensated absences	255,934	31,624	(45,071)	242,487	242,487	-
Capital leases	405,777	-	(188,635)	217,142	94,747	122,395
Total long-term liabilities	<u>\$ 40,243,542</u>	<u>\$ 22,183,624</u>	<u>\$ (24,949,567)</u>	<u>\$ 37,477,599</u>	<u>\$ 3,641,591</u>	<u>\$ 33,836,008</u>
Business-Type Activities:						
Compensated absences	\$ 18,908	\$ 17,099	\$ (19,092)	\$ 16,915	\$ 16,915	\$ -
Total long-term liabilities	<u>\$ 18,908</u>	<u>\$ 17,099</u>	<u>\$ (19,092)</u>	<u>\$ 16,915</u>	<u>\$ 16,915</u>	<u>\$ -</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The General Fund is used to liquidate the liabilities for bonds, direct borrowings, compensated absences, and capital leases for the governmental activities.

Bonds and Notes

- (A) On October 4, 2012, the School District issued \$ 8,770,000 of general obligation bonds, Series of 2012B, to currently refund the School District's general obligation bonds, Series of 2007 and to pay the costs of issuing the bonds. The bonds were due in various amounts each November 15. A portion of the bonds were refinanced with the issuance of the Series of 2020 Note. The remaining balance was currently refunded with the issuance of the Series of 2021 Note during the year ending June 30, 2021.
- (B) On September 15, 2015, the School District issued \$ 9,995,000 of general obligation bonds, Series of 2015, to provide funds for the cost of acquiring, constructing and installing repairs, improvements, modifications and equipment to various School District facilities and other capital improvements and the costs of issuing the Bonds. A portion of the bonds were currently refunded with the issuance of the Series of 2020 Note during the year ending June 30, 2021. The remaining bonds are due in November 2021. The outstanding bonds at June 30, 2021 bear interest at 2.00%.
- (C) On January 5, 2016, the School District issued a \$ 6,495,000 general obligation note, Series of 2016, to currently refund the School District's general obligation bonds, Series of 2010 and to pay the costs of issuing the note. The note was due in various amounts each September. The note was currently refunded with the issuance of the Series of 2021 Note during the year ending June 30, 2021.
- (D) On January 5, 2016, the School District issued a \$ 2,600,000 of general obligation note, Series of 2016A, to currently refund the School District's general obligation bonds, Series of 2010A and to pay the costs of issuing the note. The note was due in various amounts each September 1. The note was currently refunded with the issuance of the Series of 2021 Note during the year ending June 30, 2021.
- (E) On March 29, 2016, the School District issued \$ 7,130,000 of general obligation bonds, Series of 2016B, to currently refund the School District's general obligation bonds, Series of 2011 and to pay the costs of issuing the bonds. The bonds were due in various amounts each November 15. The bonds were currently refunded with the issuance of the Series of 2021 Note during the year ending June 30, 2021.
- (F) On July 3, 2019, the School District issued \$ 6,300,000 of general obligation bonds, Series of 2019, to advance refund the School District's general obligation bond Series of 2013 and pay the related costs of issuing the bonds. The bonds are due in various amounts each October 1 from 2019 through 2028. The outstanding bonds at June 30, 2021 bear interest rates ranging from 1.61% to 2.32%. The defeased outstanding balance of the 2013 general obligation bonds as of June 30, 2021 is \$ 5,285,000.
- (G) On July 30, 2019 the School District issued \$ 9,115,000 of general obligation bonds, Series of 2019 A, to advance refund the School District's general obligation bond Series of 2012A and pay the related costs of issuing the bonds. The bonds are due in various amounts each October 1 from 2019 through October 2030. The outstanding bonds at June 30, 2021 bear interest rates ranging from 1.50% to 2.38%. The defeased outstanding balance of the 2012A general obligation bonds as of June 30, 2021 is \$ 8,720,000.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

(H) On August 18, 2020, the School District issued \$ 9,995,000 of general obligation note, Series of 2020. The proceeds were used to currently refund a portion of the School District's general obligation bonds Series of 2012B and Series of 2015 and pay the related costs of issuing the note. The note is due in various amounts each November 15 from 2021 through 2031. The outstanding note at June 30, 2021 bears interest at 2.078%.

(1) Cash flow gain	\$ 288,018
(2) Economic gain	\$ 279,395

(I) On March 15, 2021, the School District issued \$ 12,157,000 of general obligation note, Series of 2021. The proceeds were used to currently refund a portion of the School District's general obligation bonds, Series of 2012B and 2016B, respectively, and general obligation notes, Series of 2016, Series of 2016A, respectively, and pay the related costs of issuing the note. The note is due in various amounts each November 15 from 2021 through 2025. The outstanding note at June 30, 2021 bears interest rates ranging from 2.00 to 2.35%

(1) Cash flow gain	\$ 280,121
(2) Economic gain	\$ 267,065

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.

(2) Represents the difference in the present values of the old debt and the new debt, less bond issue costs.

The School District general obligation bonds and notes contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly to the paying agent for payment to the bond and note holders.

The annual debt requirements for future general obligation bonds and notes, based on the debt outstanding at June 30, 2021 are as follows:

	Bonds					
	-- Series of 2015 --		-- Series of 2019 --		-- Series of 2019A --	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 305,000	\$ 3,050	\$ 580,000	\$ 168,725	\$ 50,000	\$ 199,325
2023	-	-	610,000	138,975	55,000	196,700
2024	-	-	635,000	107,850	50,000	194,075
2025	-	-	675,000	75,100	50,000	191,575
2026	-	-	695,000	51,275	50,000	189,825
2027-2031	-	-	2,170,000	68,013	8,785,000	510,075
2032	-	-	-	-	-	-
	<u>\$ 305,000</u>	<u>\$ 3,050</u>	<u>\$ 5,365,000</u>	<u>\$ 609,938</u>	<u>\$ 9,040,000</u>	<u>\$ 1,481,575</u>
	Direct Borrowing					
	-- Series of 2020 --		-- Series of 2021 --		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 50,000	\$ 207,177	\$ 2,297,000	\$ 94,343	\$ 3,282,000	\$ 672,620
2023	353,000	202,989	2,312,000	74,593	3,330,000	613,257
2024	358,000	195,602	2,344,000	54,642	3,387,000	552,169
2025	364,000	188,101	2,375,000	34,421	3,464,000	489,197
2026	679,000	177,264	2,142,000	15,066	3,566,000	433,430
2027-2031	5,728,000	607,920	687,000	2,944	17,370,000	1,188,952
2032	2,463,000	25,591	-	-	2,463,000	25,591
	<u>\$ 9,995,000</u>	<u>\$ 1,604,644</u>	<u>\$ 12,157,000</u>	<u>\$ 276,009</u>	<u>\$ 36,862,000</u>	<u>\$ 3,975,216</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 9 LONG-TERM DEBT (CONTINUED)

Capital Leases

The School District is financing the purchase of computers and tablets through capital leases with vendors. At June 30, 2021, the leased assets have a gross capitalized value of \$ 549,824 and accumulated amortization of \$ 332,862, leaving a net book value of \$ 217,142 that is included in capital assets. Amortization expense of \$ 158,665 is included in depreciation expense. The aggregate amount of future payments required on capital leases at June 30, 2021 is as follows:

Year Ending June 30	
2022	\$ 129,774
2023	97,708
Amount representing interest	(10,340)
	<u>\$ 217,142</u>

NOTE 10 OPERATING LEASES

The School District has entered into noncancelable leases for the use of printers, computers, laptops, tablets, and copiers. Rent expense for 2020-2021 was \$ 156,379. The School District has the following future minimum payments on long-term operating leases:

Year Ending June 30	
2022	\$ 94,284
2023	11,160
2024	11,160
2025	8,370
	<u>\$ 124,974</u>

NOTE 11 GOVERNMENTAL FUNDS – FUND BALANCE

The following table provides detail of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Reserve Fund	First Choice Fund	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Due from other funds - long term	\$ 223,925	\$ -	\$ -	\$ 223,925
Restricted for:				
Future capital projects and operations of First Choice house	-	101,038	51,324	152,362
Committed for:				
Future retirement expenditures	274,942	-	-	274,942
Assigned for:				
Future facility needs	652,081	-	-	652,081
Property tax settlements	346,125			346,125
Unassigned	<u>5,049,026</u>	<u>-</u>	<u>-</u>	<u>5,049,026</u>
Total fund balances	<u>\$ 6,546,099</u>	<u>\$ 101,038</u>	<u>\$ 51,324</u>	<u>\$ 6,698,461</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 12 AFFILIATES

Payments to fund operating costs of affiliated entities for the year ended 2020/2021 were as follows:

Lincoln Intermediate Unit #12	\$ 1,330,388
Franklin County Career and Technology Center	884,376
Franklin Learning Center	<u>181,476</u>
	<u>\$ 2,396,240</u>

During the year ended June 30, 2021, the Franklin County Career and Technology Center issued a note in the amount of \$ 11,211,000 to refinance a previous bond that was issued to finance building additions and renovations. Each member district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the debt. Under the Articles of Agreement, each member district's share of rental (debt) payments is based on the district's ratio of market valuation of real estate to the total market valuation of real estate of all participating school districts. The Waynesboro Area School District's share of debt payments for 2020/2021 was \$ 158,970. Based on the latest market valuation available, Waynesboro Area School District's share is 15.65%, which represents \$ 1,754,522 of the outstanding debt of the Tech Center as of June 30, 2021.

NOTE 13 PENSION PLAN

Plan Descriptions and Benefits Provided

School District Plan

The School District has a retirement benefit for employees, which is a single employer defined plan administered by the School District. The plan provides a retirement stipend to those employees who retire from the School District with at least 10 years of service. The amount of the payment due is based on a formula that factors in salary and years of service. Only service through June 30, 2013 is included in the calculation, as the benefit was frozen as of July 1, 2013. These benefits are detailed as follows:

Administrators

Administrators are eligible if they retire through PSERS or upon death, if earlier. The payment will be made to the retiree, or beneficiary, at \$ 100 multiplied by the years of School District service, if 1-10 years of service and \$ 100 plus \$ 10 for each additional year of service over 10 years.

Teachers

Teachers are eligible if they retire through PSERS or upon death, if earlier, but must also complete 10 years of service with the School District by June 30, 2013. The payment will be made to the retiree, or beneficiary, for service prior to July 1, 2006, at their final (or highest) salary multiplied by 0.00238 multiplied by the numbers of years of School District service up to 2006. For service after July 1, 2006, the final (or highest) salary multiplied by 0.0035 multiplied by the numbers of years of School District service after 2006.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

School District Plan (Continued)

Support Staff

Support staff are eligible if they retire through PSERS or upon death, but must also complete 10 years of service with the School District by June 30, 2013. The payment will be made to full-time employees at \$ 125 multiplied by the years of service. For part-time employees, the payment will be made at \$ 75 multiplied by the years of service.

No assets are accumulated in a trust that meets the criteria of GASB standards.

PSERS

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

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (C) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011.

Act 120 created two new membership classes, Membership Class T-E (Class T-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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the rights to benefits is vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who became new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members who qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of service.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS (Continued)

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A members' right to a defined benefit is vested in 10 years.

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

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

Plan Membership

School District Plan

Membership in the School District's plan consisted of the following at July 1, 2020, the date of the latest actuarial valuation:

Active participants	394
Vested former participants	0
Retired participants	<u>0</u>
Total	<u>394</u>

Contributions

PSERS

Member contributions:

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

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

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

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

Contributions (Continued)

PSERS (Continued)

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

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School District recognized as revenue by the pension plan were \$ 8,071,375 for the year ended June 30, 2021. In addition, the School District's contributions to the defined contribution plan was \$ 28,582 for the year ended June 30, 2021.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2021, the School District recognized revenue of \$ 5,142,247 as reimbursement for its current year pension payments.

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

School District Plan

The School District's total pension liability was measured as of July 1, 2020, and the total pension liability was determined by rolling forward the total liability from July 1, 2020 to June 30, 2021 based on an actuarial valuation as of July 1, 2020, which was based on census information as of November 2020. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 68. At June 30, 2021, the School District reported a total pension liability of \$ 270,054.

For the year ended June 30, 2021, the School District recognized pension expense of \$ 42,575.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

PSERS

At June 30, 2021, the School District reported a liability of \$ 86,562,190 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was 0.1758 percent, which was an increase of 0.0031 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$ 9,715,428.

The table below summarizes the combined pension liability and pension expense:

	Total Pension/Net Pension	Pension Expense
School District Plan	\$ 270,054	\$ 42,575
PSERS	<u>86,562,190</u>	<u>9,715,428</u>
Total	<u>\$ 86,832,244</u>	<u>\$ 9,758,003</u>

Changes in the Total Pension Liability – School District Plan

	Total Pension Liability
Beginning Balance	\$ 292,469
Changes for the year:	
Service cost	11,687
Interest	9,310
Changes for experience	(3,641)
Changes in assumptions	10,231
Benefit payments	<u>(50,002)</u>
Net changes	<u>(22,415)</u>
Ending Balance	<u>\$ 270,054</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

Changes in the Total Pension Liability – School District Plan (Continued)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 38,633	\$ 3,121	\$ 226,000	\$ 2,075,000	\$ 264,633	\$ 2,078,121
Changes in assumptions	28,537	9,598	-	-	28,537	9,598
Net difference between projected and actual investment earnings	-	-	3,804,000	-	3,804,000	-
Changes in proportionate share- plan	-	-	2,385,000	736,000	2,385,000	736,000
Changes in proportionate share- governmental activities/business-type activities	-	-	203,643	203,643	203,643	203,643
Difference between employer contributions and proportionate share of total contributions	-	-	88,181	5,031	88,181	5,031
Benefit payments/contributions subsequent to the measurement date	36,461	-	8,108,141	-	8,144,602	-
	<u>\$ 103,631</u>	<u>\$ 12,719</u>	<u>\$ 14,814,965</u>	<u>\$ 3,019,674</u>	<u>\$ 14,918,596</u>	<u>\$ 3,032,393</u>

The amount of \$ 8,144,602 is reported as deferred outflows of resources related to pension resulting from School District benefit payments/contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	School District	PSERS	Total
Year ended June 30:			
2022	\$ 21,578	\$ (104,914)	\$ (83,336)
2023	21,578	1,155,480	1,177,058
2024	4,907	1,507,584	1,512,491
2025	4,907	1,129,000	1,133,907
2026	541	-	541
Thereafter	940	-	940
Total	<u>\$ 54,451</u>	<u>\$ 3,687,150</u>	<u>\$ 3,741,601</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

School District Plan

The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

- Actuarial cost method – Entry age normal.
- Investment return – 1.86%.
- An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

PSERS

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation 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 – 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants 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 were used.

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

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

PSERS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	-14.0%	(0.7%)
	<u>100%</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 1.86% for the School District Plan. The School District plan is not funded, therefore, the S&P Municipal Bond 20 year High Grade rate as of July 1, 2020 is applicable discount rate. The discount rate used to measure the PSERS total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

Sensitivity of the School District's Proportionate Share of the Total and Net Pension Liability to Changes in the Discount Rate

The following presents the total and net pension liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

School District Plan

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
School District Plan - Total pension liability	<u>\$ 276,307</u>	<u>\$ 270,054</u>	<u>\$ 263,329</u>

PSERS

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
PSERS - School District's proportionate share of the net pension liability	<u>\$ 107,096,000</u>	<u>\$ 86,562,190</u>	<u>\$ 69,167,000</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2021, the School District had \$ 2,810,030 included in accrued salaries, benefits, and withholdings liability, of which \$ 1,974,768 is for the contractually required contribution for the second quarter of 2021, \$ 681,687 is related to the accrued payroll, and \$ 153,575 is for employee withholdings.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

School District Plan

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both retiree and spouse. To continue coverage upon retirement except as noted below, the retirees must reimburse the School District for the full amount of the premiums. Retirees who have built up sick leave balances may apply these balances towards coverage instead of receiving payment for them. The coverage is continued for the retiree and spouse until they are eligible to receive Medicare.

Administrators that attain the age of 55, complete 20 years of service with the School District and retire through PSERS are only required to pay 50% of the premiums. All other retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

No assets are accumulated in a trust that meets the criteria of GASB standards.

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. 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. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200. As of June 30, 2020, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Membership

Membership in the School District's plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Active participants	394
Vested former participants	0
Retired participants	<u>23</u>
Total	<u>417</u>

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability.

Contributions to the OPEB plan from the employer were \$ 197,149 for the year ended June 30, 2021.

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

School District Plan

The School District's total OPEB liability was measured as of July 1, 2020, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2020 to June 30, 2021 based on an actuarial valuation as of July 1, 2020, which was based on census information as of November 2020. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2021, the School District reported a total OPEB liability of \$ 3,200,636.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$ 189,779.

PSERS

At June 30, 2021, the School District reported a liability of \$ 3,798,505 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 School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was 0.1758 percent, which was an increase of 0.0031 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$ 196,210.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

PSERS (Continued)

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/Net	
	OPEB Liability	OPEB Expense
School District Plan	\$ 3,200,636	\$ 189,779
PSERS	3,798,505	196,210
Total	<u>\$ 6,999,141</u>	<u>\$ 385,989</u>

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 3,767,123
Changes for the year:	
Service cost	246,116
Interest	130,726
Change of benefit terms	(184,809)
Difference between expected and actual experience	(910,229)
Changes in assumptions	378,029
Benefit payments	(226,320)
Net changes	(566,487)
Ending Balance	<u>\$ 3,200,636</u>

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 384,283	\$ 845,213	\$ 35,000	\$ -	\$ 419,283	\$ 845,213
Changes in assumptions	404,661	94,694	155,000	83,000	559,661	177,694
Net difference between projected and actual investment earnings	-	-	7,000	-	7,000	-
Changes in proportions - plan	-	-	140,000	75,000	140,000	75,000
Changes in proportions - fund	-	-	12,263	12,263	12,263	12,263
share of total contributions	-	-	749	1,464	749	1,464
Benefit payments/contributions subsequent to the measurement date	111,174	-	198,043	-	309,217	-
	<u>\$ 900,118</u>	<u>\$ 939,907</u>	<u>\$ 548,055</u>	<u>\$ 171,727</u>	<u>\$ 1,448,173</u>	<u>\$ 1,111,634</u>

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

School District Plan (Continued)

The amount of \$ 309,217 is reported as deferred outflows of resources related to OPEB resulting from School District benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2021 related to the School District and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	School District	PSERS	Total
Year ended June 30:			
2022	\$ (2,254)	\$ 14,926	\$ 12,672
2023	(2,254)	13,926	11,672
2024	(2,254)	12,926	10,672
2025	(2,254)	64,923	62,669
2026	(2,254)	50,264	48,010
Thereafter	<u>(139,693)</u>	<u>21,320</u>	<u>(118,373)</u>
Total	<u>\$ (150,963)</u>	<u>\$ 178,285</u>	<u>\$ 27,322</u>

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

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.

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	1.86% - S&P 20 year high grade municipal bond rate as of July 1, 2020.	2.66% - S&P 20 year municipal bond rate.
Salary	An assumption for salary increase is used for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.	Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.	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.
Percentage of Eligible Employees Electing Coverage in Plan	80% of administrators, 65% of teachers, 45% of full-time support staff, and 20% of part-time support staff are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost 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. The resulting costs are as follows: age 45-49, \$ 6,449 for males and \$ 9,313 for females; 50-54, \$ 8,540 for males and \$ 10,525 for females; 55-59, \$ 10,402 for males and \$ 11,013 for females; and 60-64, \$ 13,574 for males and \$ 12,652 for females.	N/A

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

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.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	(1.0)%
US Core Fixed Income	46.5%	(0.1)%
Non-US Developed Fixed	<u>3.2%</u>	(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 1.86% for the School District's Plan and 2.66% for PSERS. The School District Plan is not funded, therefore, the S&P 20 year high grade municipal bond rate as of July 1, 2020 is the applicable discount rate. Under the PSERS 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's plan 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.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

School District Plan

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
School District Plan - Total OPEB liability	\$ 3,456,309	\$ 3,200,636	\$ 2,956,898

PSERS

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
PSERS - School District's proportionate share of the net OPEB liability	\$ 4,331,000	\$ 3,798,505	\$ 3,358,000

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

School District Plan

	1% Decrease (4.5% decreasing to 3.0%)	Healthcare Cost Trend Rate (5.5% decreasing to 4.0%)	1% Increase (6.5% decreasing to 5.0%)
School District Plan - Total OPEB Liability	\$ 2,784,934	\$ 3,200,636	\$ 3,703,526

PSERS

	1% Decrease (Between 4.0% to 6.5%)	Heathcare Cost Trend Rate (Between 5.0% to 7.5%)	1% Increase (Between 6.0% to 8.5%)
PSERS - School District's proportionate share of the net OPEB liability	\$ 3,798,000	\$ 3,798,505	\$ 3,799,000

OPEB Plan Fiduciary Net Position

PSERS

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

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Payables to the OPEB Plan

School District Plan

As of June 30, 2021, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2020, the School District had \$ 64,657 included in accrued wages liability, of which \$ 48,065 is for the contractually required contribution for the second quarter of 2021 and \$ 16,592 is related to the accrued payroll liability for wages incurred as of June 30, 2021.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 16 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and employees' health coverage. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The School District self-insures a portion of their workers' compensation insurance through the School District Insurance Consortium (SDIC). The School District is responsible for claims up to the amount maintained in a self-insurance reserve, which was \$ 0 at June 30, 2021. The School District also contributes to the SDIC "Central Fund", which pays claims that exceed the initial claims self-insured by the School District. Net payments to SDIC in 2020/2021 were \$ 91,105.

Lincoln Benefit Trust

The School District is a member of the Lincoln Benefit Trust. The Trust is a claims servicing pool which pays claims for hospitals, medical coverage for physician's services, certain dental and vision coverage, major medical coverage, and certain other benefits submitted by employees of the participating school districts. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each school district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus, this functions like a retrospectively rated program.

Because Lincoln Benefit Trust acts as a claims-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$ 100,000 and \$ 300,000 are paid from the Trust mini-pool. Claims incurred over \$ 300,000 are paid from a stop loss insurance policy purchased by the Trust.

Changes in net position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2021:

Net position - July 1, 2020	\$	3,259,295
Contributions and interest income		5,081,160
Stop-loss pool reimbursement		213,622
PA Trust experience refund		36,863
Claims paid		(5,234,531)
Stop-loss insurance		(323,030)
Minipool premium		(268,522)
Administrative fees		(241,003)
Other		<u>(11,074)</u>
Net position - June 30, 2021	\$	<u>2,512,780</u>

Overall, the Lincoln Benefit Trust has net position of \$ 85,107,384 as of June 30, 2021 and showed a decrease in net position of \$ 13,956,198 for the year then ended. Financial statements of the Trust are available at the School District.

WAYNESBORO AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 17 RESTATEMENTS

Restatements were necessary to implement GASB 84 and to correct capital leases and interfund activity as of June 30, 2020. As a result, the beginning net position/fund balance amounts reflect changes as of June 30, 2020.

	Governmental Activities	Business-Type Activities	General Fund	Food Service Fund	Custodial Funds
Net Position/fund balance, June 30, 2020, as originally stated	\$ (49,156,662)	\$ (1,125,978)	\$ 4,402,916	\$ (1,134,742)	\$ -
Correction of interfund activity	(107,136)	107,136	(107,136)	107,136	-
Restatement for capital leases	28,548	-	-	-	-
Implementation of GASB 84	-	-	-	-	137,829
Net Position/fund balance, June 30, 2020, as restated	<u>\$ (49,235,250)</u>	<u>\$ (1,018,842)</u>	<u>\$ 4,295,780</u>	<u>\$ (1,027,606)</u>	<u>\$ 137,829</u>
Change in net position/fund balance, June 30, 2020, as originally stated	\$ (4,732,820)	\$ (238,238)	\$ 594,354	\$ (83,477)	
Correction of interfund activity	(4,256)	4,256	(4,256)	4,256	
Implementation of GASB 84	-	-	-	-	
Change in net position/fund balance, June 30, 2020, as restated	<u>\$ (4,737,076)</u>	<u>\$ (233,982)</u>	<u>\$ 590,098</u>	<u>\$ (79,221)</u>	
Net capital assets as of June 30, 2020, as originally stated	\$ 62,461,873	\$ 62,461,873			
Restatement for capital leases	309,948	309,948			
Net capital assets as of June 30, 2020, as restated	<u>\$ 62,771,821</u>	<u>\$ 62,771,821</u>			
Capital leases as of June 30, 2020, as originally stated	\$ 124,377	\$ 124,377			
Restatement for capital leases	281,400	281,400			
Capital leases as of June 30, 2020, as restated	<u>\$ 405,777</u>	<u>\$ 405,777</u>			

REQUIRED SUPPLEMENTARY INFORMATION

WAYNESBORO AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2021

	Budget		Actual	Variance with
	Original	Final	(Budgetary/ GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources				
Taxes	\$ 29,041,181	\$ 29,041,181	\$ 30,238,265	\$ 1,197,084
Investment earnings	25,000	25,000	68,656	43,656
Revenue from intermediate other sources	645,768	645,768	723,394	77,626
Other	3,319,955	3,319,955	2,928,641	(391,314)
State sources	27,024,699	27,024,699	27,324,860	300,161
Federal sources	1,697,230	1,697,230	3,187,399	1,490,169
Total revenues	<u>61,753,833</u>	<u>61,753,833</u>	<u>64,471,215</u>	<u>2,717,382</u>
EXPENDITURES				
Instruction	40,700,476	40,700,476	41,888,789	(1,188,313)
Support services	15,604,897	15,604,897	15,641,116	(36,219)
Operation of noninstructional services	1,065,659	1,065,659	937,056	128,603
Facilities acquisition, construction and improvements	200,000	200,000	170,795	29,205
Debt service	<u>4,239,276</u>	<u>4,239,276</u>	<u>3,746,214</u>	<u>493,062</u>
Total expenditures	<u>61,810,308</u>	<u>61,810,308</u>	<u>62,383,970</u>	<u>(573,662)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term financing	-	-	22,152,000	22,152,000
Payment to refund bonds	-	-	(21,990,689)	(21,990,689)
Proceeds from the sale of capital assets	500	500	1,763	1,263
Transfers from (to) other funds	<u>55,975</u>	<u>55,975</u>	<u>-</u>	<u>(55,975)</u>
Total other financing sources and (uses)	<u>56,475</u>	<u>56,475</u>	<u>163,074</u>	<u>106,599</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,250,319</u>	<u>\$ 2,250,319</u>

WAYNESBORO AREA SCHOOL DISTRICT**Schedule of Changes on the School District's Total Pension Liability and Related Ratios -
School District Plan**

	2021	2020	2019	2018
Total Pension Liability				
Service cost	\$ 11,687	\$ 11,576	\$ 13,730	\$ 14,754
Interest	9,310	9,407	9,729	9,103
Changes for experience	(3,641)	-	42,592	-
Changes in assumptions	10,231	(2,802)	1,260	(15,193)
Benefit payments	<u>(50,002)</u>	<u>(65,030)</u>	<u>(54,750)</u>	<u>(71,400)</u>
Net change in total pension liability	(22,415)	(46,849)	12,561	(62,736)
Total pension liability - beginning	<u>292,469</u>	<u>339,318</u>	<u>326,757</u>	<u>389,493</u>
Total pension liability - ending	<u>\$ 270,054</u>	<u>\$ 292,469</u>	<u>\$ 339,318</u>	<u>\$ 326,757</u>
Covered employee payroll	\$ 22,148,483	N/A	\$ 10,034,292	\$ 10,169,819
Total pension liability as a percentage of employee covered payroll	1.22%	N/A	3.38%	3.21%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For the School District plan, the measurement period is one year prior to the fiscal year-end.

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability - Public
School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1758%	\$ 86,562,190	\$ 24,675,960	350.80%	54.32%
2020	0.1727%	80,793,564	23,818,709	339.20%	55.66%
2019	0.1670%	80,456,000	22,572,009	356.44%	54.00%
2018	0.1670%	82,478,637	22,237,542	370.90%	51.84%
2017	0.1751%	86,774,004	22,673,569	382.71%	50.14%
2016	0.1693%	73,332,818	21,784,104	336.63%	54.36%
2015	0.1654%	65,466,506	21,103,863	310.21%	57.24%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2017 fiscal year:

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of the School District's Contributions – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Payroll
2021	\$ 8,071,375	\$ 8,071,375	\$ -	\$ 24,132,289	33.45%
2020	8,198,835	8,198,835	-	24,675,960	33.23%
2019	7,735,655	7,735,655	-	23,818,709	32.48%
2018	7,108,562	7,108,562	-	22,572,009	31.49%
2017	6,407,145	6,407,145	-	22,237,542	28.81%
2016	5,634,205	5,634,205	-	22,673,569	24.85%
2015	4,347,808	4,347,808	-	21,784,104	19.96%
2014	3,278,475	3,278,475	-	21,103,863	15.53%
2013	2,385,038	2,385,038	-	21,491,362	11.10%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

WAYNESBORO AREA SCHOOL DISTRICT**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -
School District Plan**

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 246,116	\$ 245,391	\$ 202,700	\$ 199,534
Interest	130,726	115,099	99,955	74,286
Changes of benefit terms	(184,809)	-	-	-
Differences between expected and actual experience	(910,229)	-	499,568	-
Changes in assumptions	378,029	(111,911)	2,257	74,964
Benefit payments	(226,320)	(214,828)	(134,950)	(150,091)
Net change in total OPEB liability	(566,487)	33,751	669,530	198,693
 Total OPEB liability - Beginning	 3,767,123	 3,733,372	 3,063,842	 2,865,149
Total OPEB liability - Ending	\$ 3,200,636	\$ 3,767,123	\$ 3,733,372	\$ 3,063,842
 Covered employee payroll	 \$ 22,148,483	 N/A	 \$ 20,367,335	 \$ 19,900,023
 Total OPEB liability as a percentage of employee covered payroll	 14.45%	 N/A	 18.33%	 15.40%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For the School District plan, the measurement period is one year prior to the fiscal year-end.

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net OPEB Liability – Public
School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll - Measurement Period	School District's	Plan Fiduciary
				Share of the Net OPEB Liability (Asset) as a Percentage of its Covered	
2021	0.1758%	\$ 3,798,505	\$ 24,675,960	15.39%	5.69%
2020	0.1727%	3,673,056	23,818,709	15.42%	5.56%
2019	0.1676%	3,494,000	22,572,009	15.48%	5.56%
2018	0.1670%	3,402,478	22,237,542	15.30%	5.47%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of the School District's OPEB Contributions – Public School Employees’
Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2021	\$ 197,149	\$ 197,149	\$ -	\$ 24,132,289	0.82%
2020	206,239	206,239	-	24,675,960	0.84%
2019	196,951	196,951	-	23,818,709	0.83%
2018	185,889	185,889	-	22,572,009	0.82%

Notes

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

WAYNESBORO AREA SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Receivable or (Payable) at July 1, 2019	Revenue Recognized	Expenditures Recognized	Receivable or (Payable) at June 30, 2020	Total Passed-Through to Subrecipients
U.S. Department of Education											
Passed through the PA Department of Education											
ESEA Title I	I	84.010	013-20-0465	7/1/19 - 6/30/20	775,075	\$ 166,079	\$ 166,079	\$ -	\$ -	\$ -	\$ -
ESEA Title I	I	84.010	013-21-0465	7/1/20 - 6/30/21	1,433,584	1,135,224	-	1,433,584	1,433,584	298,360	-
Title I						1,301,303	166,079	1,433,584	1,433,584	298,360	-
Title II - Improving Teacher Quality	I	84.367	020-21-0465	7/1/20 - 9/30/21	203,230	175,192	-	203,230	203,230	28,038	-
Title II						175,192	-	203,230	203,230	28,038	-
Title IV - Student Support	I	84.424	144-20-0465	7/1/19 - 9/30/20	59,009	12,645	12,645	-	-	-	-
Title IV - Student Support	I	84.424	144-21-0465	7/1/20 - 9/30/21	58,781	25,192	-	58,781	58,781	33,589	-
Title IV						37,837	12,645	58,781	58,781	33,589	-
Education Stabilization Fund											
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	200-200465	03/13/20 - 9/30/22	636,604	636,604	-	636,604	636,604	-	-
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	I	84.425C	253-200465	3/31/20 - 9/30/21	106,838	22,492	-	106,838	106,838	84,346	-
COVID-19 - Special Education COVID Mitigation (SECIM)	I	84.425C	252-200465		27,288	27,288	-	27,288	27,288	-	-
COVID -19 - A-TSI Continuity of Education	I	84.425C	254-20-0465	3/13/20 - 9/30/21	86,560	18,223	-	58,416	58,416	40,193	-
Passed through the Commonwealth of Pennsylvania											
COVID-19 School Health and Safety Grant	I	84.425D	35223	03/13/20 - 9/30/22	133,318	56,516	-	133,318	133,318	76,802	-
Total Education Stabilization Fund						761,123	-	962,464	962,464	201,341	-
Coronavirus Relief Fund											
COVID Pre-K	I	21.019	161-19-0061	7/1/20-6/30/21	34,034	34,034	-	34,034	34,034	-	34,034
Passed through Commonwealth of Pennsylvania											
COVID-19 Disaster Recovery	I	21.019	33447	3/1/20 - 10/30/20	288,852	288,852	-	288,852	288,852	-	-
Total Coronavirus Relief Fund						322,886	-	322,886	322,886	-	34,034
Passed through Lincoln Intermediate Unit											
Special Education Cluster											
I.D.E.A.	I	84.027	N/A	7/1/20 - 6/30/21	647,173	647,173	-	647,173	647,173	-	-
I.D.E.A. - Preschool	I	84.173	131-16-0122	7/1/20 - 6/30/21	8,550	4,897	-	4,897	4,897	-	-
Total Special Education Cluster						652,070	-	652,070	652,070	-	-
Adult Basic Education	I	84.002	N/A	7/1/20 - 6/30/21	14,525	14,525	-	14,525	14,525	-	-
Total Adult Basic Education						14,525	-	14,525	14,525	-	-
Total passed through Lincoln Intermediate Unit						666,595	-	666,595	666,595	-	-
Total U.S. Department of Education						\$ 3,264,936	\$ 178,724	\$ 3,647,540	\$ 3,647,540	\$ 561,328	\$ 34,034

WAYNESBORO AREA SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2021

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Receivable or (Payable) at July 1, 2019	Revenue Recognized	Expenditures Recognized	Receivable or (Payable) at June 30, 2020	Total Passed-Through to Subrecipients
U.S. Department of Agriculture											
Passed through the Pennsylvania Department of Agriculture											
Child Nutrition Cluster											
National School Lunch Program (Commodities)	(U) B	10.555	N/A	7/1/20 - 6/30/21	N/A	\$ 119,492	\$ -	\$ 119,492	\$ 119,492	\$ -	\$ -
Passed through the Pennsylvania Department of Education											
Summer Food Program	I	10.559	N/A	7/1/20 - 6/30/21	N/A	51,978	51,978	-	-	-	-
Summer Food Program - COVID-19	I	10.559	N/A	7/1/20 - 6/30/21	N/A	-	-	62,135	62,135	62,135	-
Summer Food Program - COVID-19	I	10.559	N/A	7/1/20 - 6/30/21	N/A	1,547,315	-	1,547,315	1,547,315	-	-
National School Lunch Program (Cash)	I	10.555	N/A	7/1/20 - 6/30/21		27,885		27,885	27,885	-	-
School Breakfast Program	I	10.553	N/A	7/1/20 - 6/30/21	N/A	5,351	-	5,351	5,351	-	-
Total passed through Pennsylvania Department of Education						1,632,529	51,978	1,642,686	1,642,686	62,135	-
Total Child Nutrition Cluster						1,752,021	51,978	1,762,178	1,762,178	62,135	-
Total U.S. Department of Agriculture						1,752,021	51,978	1,762,178	1,762,178	62,135	-
Total Federal Expenditures						\$ 5,016,957	\$ 230,702	\$ 5,409,718	\$ 5,409,718	\$ 623,463	\$ 34,034

WAYNESBORO AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

NOTE 1 REFERENCE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (I) Indirect funding
- (B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the accrual basis of accounting, which conform to generally accepted governmental accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payments of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as unearned revenue or a receivable, respectively.

Indirect Cost Rate

The School District has elected not to use the 10% de minimis indirect cost rate for its federal programs.

NOTE 3 EXPENDITURES RECOGNIZED

Certain expenditures incurred in the prior year were recognized on the current year schedule of expenditures of federal awards due to when federal funding was applied for and subsequently received.

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

Board of Directors
Waynesboro Area School District
Waynesboro, 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 Waynesboro Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Waynesboro Area School District's basic financial statements, and have issued our report thereon dated March 28, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THE REPORT

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

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
March 28, 2022

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

Board of Directors
Waynesboro Area School District
Waynesboro, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Waynesboro Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waynesboro Area School District's major federal programs for the year ended June 30, 2021. Waynesboro Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

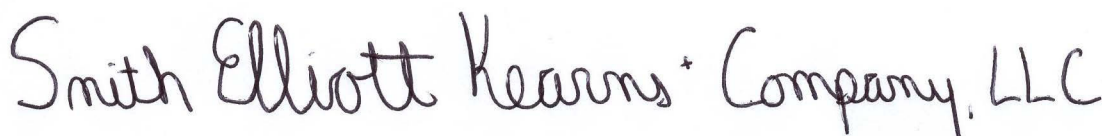
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in dark ink that reads "Smith Elliott Kearns + Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
March 28, 2022

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be a material weakness(es)? ☐ Yes ☒ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? ☐ Yes ☒ No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
84.425	Education Stabilization Fund
21.019	Coronavirus Relief Fund
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

WAYNESBORO AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Section II – Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

Section III – Federal Findings and Questioned Costs

A. Significant Deficiencies or Material Weaknesses in Internal Control over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with the Uniform guidance by 2 CFR Section 200.516.



Waynesboro Area School District

Summary Schedule of Prior Audit Findings

Findings related to financial statements:

None noted.

Findings related to federal awards:

None noted.