

**Ellwood City Area School District
Financial Statements
June 30, 2021**

**Ellwood City Area School District
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Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ellwood City 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information as shown in the table of contents, 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 Ellwood City Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 January 28, 2022, on our consideration of Ellwood City 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 the effectiveness of Ellwood City Area School District's 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 Ellwood City Area School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2022

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

The discussion and analysis of Ellwood City 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 intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

Of the District's local revenues, 72% is derived from real estate taxes. Special Session Act 1 continues to restrict the District's ability to raise property taxes beyond the index rate. The Department of Revenue issues a state index rate for each school district. Real estate tax increase above the index rate requires a district to either apply to the state for Act 1 exception or put a request for a tax increase on the ballot, via referendum. The COVID pandemic has continued to impact the district. Increased expenditures due to the pandemic for online learning, additional coverages, additional educational supports, and equipment and supplies will continue at least through the 2022-2023 school year. The district will be able to utilize CARES Act money to help offset these expenditures. However, state funding continues to be reduced, eliminated, or insignificantly increased.

Expenditure impacts for the District are similar to those faced by most districts. Due to economic factors, expenses such as insurance benefits, fuel, and utilities continue to rise. Retirement contributions mandated by the Commonwealth of PA continue to add stress to school budgets as well as increased enrollment of students to Cyber and Charter Schools. Special Education expenses also add a significant increase to the budget. As discussed above, COVID is greatly impacting school budgets.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Ellwood City Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

**Ellwood City Area School District
Management’s Discussion and Analysis
June 30, 2021**

The remaining statements are fund financial statements that focus on individual parts of the School District’s operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong.

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

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

Figure A – 1
Required Components of
Ellwood City Area School District’s
Financial Report

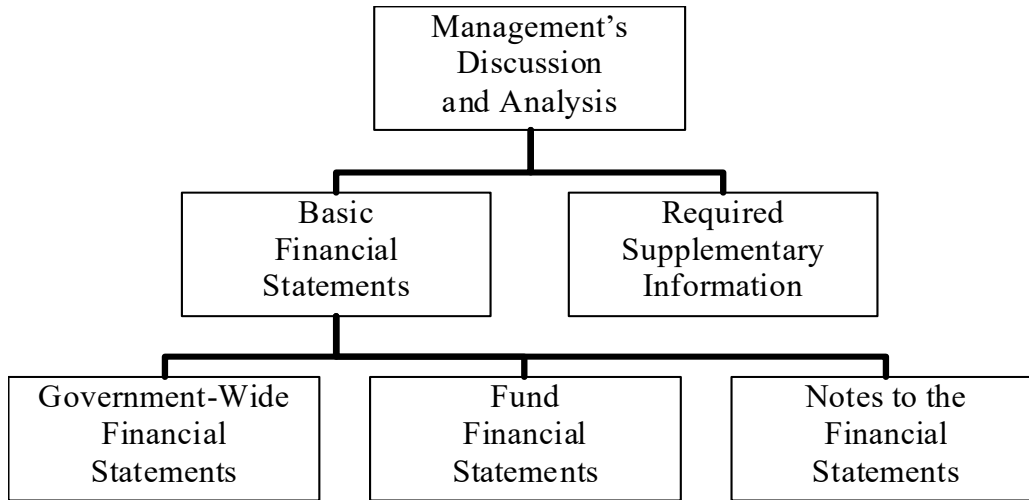


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Figure A – 2
Major Features of Ellwood City Area School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Overview of Financial Statements

Government-Wide Statements

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

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

Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- Governmental activities - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business-type activities - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund one of the School District's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for custodial funds and some scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and the changes in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(31,001,418) at June 30, 2021 and a deficit \$(31,391,246) at June 30, 2020.

Table A - 1
Years Ended June 30, 2021 and 2020
Net Position

	2021			2020		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 21,518,305	\$ 47,980	\$ 21,566,285	\$ 10,333,990	\$ 60,483	\$ 10,394,473
Capital Assets	15,942,381	28,025	15,970,406	16,603,102	12,338	16,615,440
Total Assets	37,460,686	76,005	37,536,691	26,937,092	72,821	27,009,913
Deferred Outflows of Resources	6,929,152	148,775	7,077,927	5,414,676	-	5,414,676
Current and Other Liabilities	3,951,902	252,575	4,204,477	4,798,733	69,039	4,867,772
Noncurrent Liabilities						
Due Within One Year	676,796	-	676,796	1,070,317	-	1,070,317
Due in More Than One Year	67,465,059	1,009,258	68,474,317	55,290,557	-	55,290,557
Total Liabilities	72,093,757	1,261,833	73,355,590	61,159,607	69,039	61,228,646
Deferred Inflows of Resources	2,231,586	28,860	2,260,446	2,587,189	-	2,587,189

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Table A - 1
Years Ended June 30, 2021 and 2020
Net Position

	2021			2020		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	9,818,623	28,025	9,846,648	9,656,880	12,338	9,669,218
Unrestricted	<u>(39,754,128)</u>	<u>(1,093,938)</u>	<u>(40,848,066)</u>	<u>(41,051,908)</u>	<u>(8,556)</u>	<u>(41,060,464)</u>
Total Net Position	<u>\$ (29,935,505)</u>	<u>\$ (1,065,913)</u>	<u>\$ (31,001,418)</u>	<u>\$ (31,395,028)</u>	<u>\$ 3,782</u>	<u>\$ (31,391,246)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes (property and earned income) assessed to community taxpayers and the Basic Education Subsidy provided by the State of Pennsylvania.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Table A - 2
Years Ended June 30, 2021 and 2020
Changes in Net Position

	2021			2020		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
Program Revenues						
Charges for Services	\$ -	\$ 22,337	\$ 22,337	\$ 36,997	\$ 150,737	\$ 187,734
Operating Grants and Contribs.	8,682,229	867,831	9,550,060	6,732,495	650,139	7,382,634
General Revenues						
Property Taxes	7,758,182	-	7,758,182	7,460,903	-	7,460,903
Other Taxes	1,627,024	-	1,627,024	1,597,053	-	1,597,053
Grants, Subsidies and Contribs.						
Unrestricted	12,377,061	-	12,377,061	12,376,613	640	12,377,253
Investment Earnings	13,684	116	13,800	141,016	1,600	142,616
Transfers	-	-	-	(161,202)	161,202	-
Other	246,355	-	246,355	140,889	-	140,889
Total Revenues and Transfers	30,704,535	890,284	31,594,819	28,324,764	964,318	29,289,082
Expenses						
Instruction	20,712,047	-	20,712,047	19,305,871	-	19,305,871
Instructional Student Support	1,622,603	-	1,622,603	1,836,224	-	1,836,224
Admin. and Fin. Support Svcs.	2,546,218	-	2,546,218	2,725,136	-	2,725,136
Operation and Maintenance						
of Plant Services	2,619,246	-	2,619,246	2,715,664	-	2,715,664
Pupil Transportation	1,543,153	-	1,543,153	1,532,250	-	1,532,250
Student Activities	505,368	-	505,368	528,292	-	528,292
Community Services	27,500	-	27,500	47,931	-	47,931
Interest on Long-Term Debt	158,145	-	158,145	66,068	-	66,068
Food Service	-	1,138,820	1,138,820	-	964,318	964,318
Total Expenses	29,734,280	1,138,820	30,873,100	28,757,436	964,318	29,721,754
Increase (Decrease) in Net Position	970,255	(248,536)	721,719	(432,672)	-	(432,672)
Beginning Net Position						
Restated -See Note 14	(30,905,760)	(817,377)	(31,723,137)	(30,962,356)	3,782	(30,958,574)
Ending Net Position	\$ (29,935,505)	\$ (1,065,913)	\$ (31,001,418)	\$ (31,395,028)	\$ 3,782	\$ (31,391,246)

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

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

Table A - 3
Years Ended June 30, 2021 and 2020
Governmental Activities

	2021		2020	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 20,712,047	\$ 13,861,189	\$ 19,305,871	\$ 14,384,172
Instructional Student Support	1,622,603	1,176,436	1,836,224	1,440,571
Admin. and Fin. Support Svcs.	2,546,218	2,249,490	2,725,136	2,349,643
Operation and Maintenance of Plant Services	2,619,246	2,233,381	2,715,664	2,397,453
Pupil Transportation	1,543,153	899,562	1,532,250	864,930
Student Activities	505,368	446,348	528,292	437,176
Community Services	27,500	27,500	47,931	47,931
Interest on Long-Term Debt	<u>158,145</u>	<u>158,145</u>	<u>66,068</u>	<u>66,068</u>
Total Governmental Activities	<u>\$ 29,734,280</u>	21,052,051	<u>\$ 28,757,436</u>	21,987,944
Less:				
Unrestricted Grants, Subsidies		<u>(12,377,061)</u>		<u>(12,376,613)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 8,674,990</u>		<u>\$ 9,611,331</u>

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A - 4
Years Ended June 30, 2021 and 2020
Business-Type Activities

	2021		2020	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$ 1,138,820</u>	\$ 248,652	<u>\$ 964,318</u>	\$ 163,442
Less:				
Investment Earnings		(116)		(1,600)
Transfers		<u>-</u>		<u>(161,202)</u>
Total Business-Type Activities		<u>\$ 248,536</u>		<u>\$ 640</u>

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2021, the School District's general fund reported a fund balance of \$4,770,949 which was an increase of \$247,877 from June 30, 2020 balance. The actual revenues were greater than budgeted revenues by \$2,318,575. The increases in revenues were due to a better than expected collection rate for local taxes and Federal Subsidies related to the CARES Act. The actual expenditures and other financing uses were \$119,726 over the budgeted amount. The district was able to offset the pandemic related costs with CARES Act monies in order to reduce the financial stress on the school district. However, these funds are of limited amounts and will only be available through 2023/2024. The district must be able to meet its operational costs without relying on outside entities/governments in the future.

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the School District had \$15,942,381 invested in a broad range of capital assets, including land, buildings, furniture and equipment and construction in progress.

Table A - 5
Governmental Activities
Capital Assets - Net of Depreciation

	2021	2020
Land and Land Improvements	\$ 776,159	\$ 795,380
Buildings and Building Improvements	14,661,597	15,189,227
Furniture and Equipment	487,450	618,495
Construction in Progress	17,175	-

Debt Administration

As of July 1, 2020, the School District's total outstanding debt principal was \$6,859,000 for notes outstanding. During the year, the School District issued general obligation bonds of \$15,325,000 made principal payments of \$1,012,000 and defeased debt of \$5,847,000, resulting in an ending balance as of June 30, 2021 of \$15,325,000.

Table A - 6
Outstanding Debt

	As of 06/30/21	As of 06/30/20
General Obligation Bonds/Notes		
Bond - Series of 2021	\$ 15,325,000	\$ -
Notes - Series of 2020	-	6,859,000

Economic Factors and Next Year's Budget and Rates

The revenue budget for 2021/2022 fiscal year is \$1,719,898 less than the actual revenue recorded in 2020/2021. The district was conservative in budgeting local revenues. It allocated \$551,456 of CARES Act funds to offset expenditures in the current budget. The expenditure budget for 2021/2022 is \$788,811 more than the 2020/2021 actual expenditures. The increase is due to an increase in salary, benefits and operational increases.

**Ellwood City Area School District
Management's Discussion and Analysis
June 30, 2021**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2021/2022	Actual Revenue 2020/2021
Local	34.4%	34.2%
State	63.1%	59.6%
Federal	2.5%	6.2%
Other Financing Sources	0.0%	0.0%
	Budgeted Expenditures 2021/2022	Actual Expenditures 2020/2021
Instruction	59.8%	67.1%
Support Services	28.9%	27.2%
Noninstructional Services	2.3%	1.7%
Fund Transfers/Debt/Other	9.0%	4.0%

Contacting the School District Financial Management

Our financial report 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 information, please contact Mary Kosek, Business Manager, Ellwood City Area School District, 501 Crescent Avenue, Ellwood City, PA 16117.

Ellwood City Area School District
Statement of Net Position
June 30, 2021

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 17,177,061	\$ 39,837	\$ 17,216,898
Taxes Receivable, Net	866,865	-	866,865
Due From Other Governments	3,463,309	-	3,463,309
Other Receivables	13,847	987	14,834
Inventories	-	7,156	7,156
Prepaid Items	12,500	-	12,500
Capital Assets not Being Depreciated			
Land	204,503	-	204,503
Construction in Progress	17,175	-	17,175
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	571,656	-	571,656
Building & Building Improvements	14,661,597	-	14,661,597
Furniture & Equipment	487,450	28,025	515,475
	<u>37,475,963</u>	<u>76,005</u>	<u>37,551,968</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to OPEB - District	582,340	-	582,340
Amounts Related to OPEB - PSERS	203,626	4,735	208,361
Amounts Related to Pension	6,143,186	144,040	6,287,226
	<u>6,929,152</u>	<u>148,775</u>	<u>7,077,927</u>
LIABILITIES			
Internal Balances	(223,856)	223,856	-
Due to Other Governments	6,270	-	6,270
Accounts Payable	596,890	6,131	603,021
Accrued Salaries and Benefits	2,226,418	-	2,226,418
Payroll Deductions and Withholdings	1,150,759	-	1,150,759
Unearned Revenues	40,219	7,156	47,375
Other Current Liabilities	170,479	15,432	185,911
Noncurrent Liabilities:			
Due Within One Year	676,796	-	676,796
Due in More Than One Year:			
Compensated Absences	432,408	-	432,408
Bonds Payable	17,455,044	-	17,455,044
Other Post-Employment Benefits - District	5,149,865	-	5,149,865
Other Post-Employment Benefits - PSERS	1,867,579	42,421	1,910,000
Net Pension Liability	42,560,163	966,837	43,527,000
	<u>72,109,034</u>	<u>1,261,833</u>	<u>73,370,867</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	961,174	-	961,174
Amounts Related to OPEB - PSERS	57,238	1,300	58,538
Amounts Related to Pension	1,213,174	27,560	1,240,734
	<u>2,231,586</u>	<u>28,860</u>	<u>2,260,446</u>
NET POSITION			
Net Investment in Capital Assets	9,818,623	28,025	9,846,648
Unrestricted	(39,754,128)	(1,093,938)	(40,848,066)
	<u>\$ (29,935,505)</u>	<u>\$ (1,065,913)</u>	<u>\$ (31,001,418)</u>

See Accompanying Notes

**Ellwood City Area School District
Statement of Activities
Year Ended June 30, 2021**

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
Instruction	\$ 20,712,047	\$ -	\$ 6,850,858	\$ (13,861,189)	\$ -	\$ (13,861,189)
Instructional Student Support	1,622,603	-	446,167	(1,176,436)	-	(1,176,436)
Administrative and Financial Support Services	2,546,218	-	296,728	(2,249,490)	-	(2,249,490)
Operation and Maintenance of Plant Services	2,619,246	-	385,865	(2,233,381)	-	(2,233,381)
Pupil Transportation	1,543,153	-	643,591	(899,562)	-	(899,562)
Student Activities	505,368	-	59,020	(446,348)	-	(446,348)
Community Services	27,500	-	-	(27,500)	-	(27,500)
Interest on Long-Term Debt	158,145	-	-	(158,145)	-	(158,145)
Total Governmental Activities	29,734,280	-	8,682,229	(21,052,051)	-	(21,052,051)
Business-type Activities:						
Food Service	1,138,820	22,337	867,831	-	(248,652)	(248,652)
Total Primary Government	\$ 30,873,100	\$ 22,337	\$ 9,550,060	(21,052,051)	(248,652)	(21,300,703)
General Revenues						
Taxes						
Property Taxes Levied for General Purposes, Net				7,758,182	-	7,758,182
Earned Income Taxes				1,388,972	-	1,388,972
Real Estate Transfer Taxes				198,674	-	198,674
Other Taxes Levied for General Purposes, Net				39,378	-	39,378
Grants, Subsidies and Contributions not Restricted				12,377,061	-	12,377,061
Investment Earnings				13,684	116	13,800
Miscellaneous Income				246,355	-	246,355
Total General Revenues				22,022,306	116	22,022,422
Change in Net Position				970,255	(248,536)	721,719
Net Position - July 1, 2020 (Restated See Note 14)				(30,905,760)	(817,377)	(31,723,137)
Net Position - June 30, 2021				\$ (29,935,505)	\$ (1,065,913)	\$ (31,001,418)

See Accompanying Notes

**Ellwood City Area School District
Balance Sheet
Governmental Funds
June 30, 2021**

Exhibit 3

	General Fund	Capital Projects Funds	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 5,154,552	\$ 12,013,092	\$ 9,417	\$ 17,177,061
Taxes Receivable, Net	866,865	-	-	866,865
Due from Other Funds	224,527	-	-	224,527
Due from Other Governments	3,463,309	-	-	3,463,309
Other Receivables	13,176	-	-	13,176
Prepaid Items	12,500	-	-	12,500
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 9,734,929	\$ 12,013,092	\$ 9,417	\$ 21,757,438
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Governments	6,270	-	-	6,270
Accounts Payable	579,715	17,175	-	596,890
Accrued Salaries and Benefits	2,226,418	-	-	2,226,418
Payroll Deductions and Withholdings	1,150,759	-	-	1,150,759
Unearned Revenues	40,219	-	-	40,219
Other Current Liabilities	93,734	-	-	93,734
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	4,097,115	17,175	-	4,114,290
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	866,865	-	-	866,865
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances				
Nonspendable	12,500	-	-	12,500
Restricted	-	11,995,917	6,616	12,002,533
Committed	-	-	2,801	2,801
Assigned	2,500,000	-	-	2,500,000
Unassigned	2,258,449	-	-	2,258,449
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	4,770,949	11,995,917	9,417	16,776,283
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,734,929	\$ 12,013,092	\$ 9,417	\$ 21,757,438
	<hr/>	<hr/>	<hr/>	<hr/>

See Accompanying Notes

Ellwood City Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Exhibit 4

Total Fund Balances - Governmental Funds \$ 16,776,283

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$36,596,573, and the accumulated depreciation is \$20,654,192. 15,942,381

Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as assets in governmental funds. 866,865

Premiums on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (2,750,044)

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

Bonds Payable	\$ (15,325,000)	
Accrued Interest on the Bonds	(76,745)	
Capital Leases Payable	(44,631)	
Compensated Absences	(444,573)	
	(444,573)	(15,890,949)

Some liabilities, including net pension obligations and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - District	(5,149,865)	
OPEB Liability - PSERS	(1,867,579)	
Net Pension Liability	(42,560,163)	(49,577,607)

Ellwood City Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Exhibit 4

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

Deferred Outflows of Resources Related to Pensions	6,143,186	
Deferred Inflows of Resources Related to Pensions	(1,213,174)	
Deferred Outflows of Resources Related to OPEB - PSERS	203,626	
Deferred Inflows of Resources Related to OPEB - PSERS	(57,238)	
Deferred Outflows of Resources Related to OPEB - District	582,340	
Deferred Inflows of Resources Related to OPEB - District	<u>(961,174)</u>	<u>4,697,566</u>
 Total Net Position - Governmental Activities		 <u>\$ (29,935,505)</u>

See Accompanying Notes

**Ellwood City Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021**

Exhibit 5

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Revenues				
Local Sources	\$ 10,428,141	\$ 1,381	\$ 3	\$ 10,429,525
State Sources	18,181,397	-	-	18,181,397
Federal Sources	1,890,635	-	-	1,890,635
Total Revenues	<u>30,500,173</u>	<u>1,381</u>	<u>3</u>	<u>30,501,557</u>
Expenditures				
Instruction	20,272,512	-	-	20,272,512
Support Services	8,227,333	-	233,075	8,460,408
Noninstructional Services	522,117	-	-	522,117
Capital Outlay	67,481	365,981	75	433,537
Debt Service (Principal & Interest)	1,162,728	-	-	1,162,728
Refunds of Prior Year's Receipts	125	-	-	125
Total Expenditures	<u>30,252,296</u>	<u>365,981</u>	<u>233,150</u>	<u>30,851,427</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>247,877</u>	<u>(364,600)</u>	<u>(233,147)</u>	<u>(349,870)</u>
Other Financing Sources (Uses)				
Issuance of Refunding Bonds	-	-	15,325,000	15,325,000
(Discount) Premium on Bonds Issued	-	-	2,763,047	2,763,047
Transfers In	-	12,000,000	-	12,000,000
Payment to Refunded Bond Escrow Agent	-	-	(5,848,356)	(5,848,356)
Transfers Out	-	-	(12,000,000)	(12,000,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,000,000</u>	<u>239,691</u>	<u>12,239,691</u>
Net Change in Fund Balances	247,877	11,635,400	6,544	11,889,821
Fund Balances - July 1, 2020	<u>4,523,072</u>	<u>360,517</u>	<u>2,873</u>	<u>4,886,462</u>
Fund Balances - June 30, 2021	<u>\$ 4,770,949</u>	<u>\$ 11,995,917</u>	<u>\$ 9,417</u>	<u>\$ 16,776,283</u>

See Accompanying Notes

**Ellwood City 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**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 11,889,821

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation Expense	\$ (1,026,686)	
Capital Outlays	<u>365,965</u>	(660,721)

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 202,978

Repayment of note and capital lease payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,054,591

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were: (15,325,000)

The School District's bonded debt was also reduced by a refunding of debt. Resources of (\$5,848,356) were paid to escrow agent for the refunding of outstanding notes (\$5,847,000). The difference between those amounts was \$1,356 and is reported as interest expense in the statement of activities. 5,847,000

**Ellwood City 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**

Exhibit 6

In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(40,318)	
Other Post-Employment Benefits	<u>1,157,490</u>	1,117,172

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds		(61,655)
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Bond discount, premium and deferred charges on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Bond Premium	(2,763,047)	
Amortization of Premium	<u>13,003</u>	(2,750,044)

Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

District Pension Contributions to PSERS	4,045,831	
Cost of Benefits Earned	<u>(4,389,718)</u>	<u>(343,887)</u>

Change in Net Position of Governmental Activities		<u>\$ 970,255</u>
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See Accompanying Notes

Ellwood City Area School District
Statement of Net Position
Proprietary Funds
June 30, 2021

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 39,837
Other Receivables	987
Inventories	<u>7,156</u>
Total Current Assets	<u>47,980</u>
Noncurrent Assets	
Machinery and Equipment, Net	<u>28,025</u>
TOTAL ASSETS	<u><u>76,005</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	144,040
Amounts Related to OPEB - PSERS	<u>4,735</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>148,775</u></u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	223,856
Accounts Payable	6,131
Unearned Revenues	7,156
Other Current Liabilities	<u>15,432</u>
Total Current Liabilities	<u>252,575</u>
Noncurrent Liabilities	
Net OPEB Liability - PSERS	42,421
Net Pension Liability	<u>966,837</u>
Total Noncurrent Liabilities	<u><u>1,009,258</u></u>
TOTAL LIABILITIES	<u><u>1,261,833</u></u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	27,560
Amounts Related to OPEB - PSERS	<u>1,300</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>28,860</u></u>
NET POSITION	
Invested in Capital Assets	28,025
Unrestricted	<u>(1,093,938)</u>
TOTAL NET POSITION	<u><u>\$ (1,065,913)</u></u>

See Accompanying Notes

Ellwood City Area School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2021

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	<u>\$ 22,337</u>
Operating Expenses	
Salaries	326,226
Employee Benefits	301,125
Purchased Property Services	5,651
Other Purchased Services	467,155
Supplies	32,974
Depreciation	5,200
Dues and Fees	<u>489</u>
Total Operating Expenses	<u>1,138,820</u>
Operating Income (Loss)	<u>(1,116,483)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	116
State Sources	91,473
Federal Sources	<u>776,358</u>
Total Nonoperating Revenues (Expenses)	<u>867,947</u>
Change in Net Position	(248,536)
Net Position - July 1, 2020	<u>3,782</u>
Prior Period Adjustment	(821,159)
Net Position - June 30, 2021	<u>\$ (1,065,913)</u>

See Accompanying Notes

**Ellwood City Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 20,903
Cash Payments to Employees for Services	(559,167)
Cash Payments to Suppliers for Goods and Services	(466,318)
Cash Payments for Other Operating Expenses	<u>(489)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(1,005,071)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	91,473
Federal Sources	<u>639,059</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>730,532</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(20,887)</u>
Cash Flows From Investing Activities	
Earnings on Investments	116
Loans Received (Paid)	<u>282,559</u>
Net Cash Provided by (Used for) Investing Activities	<u>282,675</u>
Net Increase (Decrease) in Cash and Cash Flows	(12,751)
Cash and Cash Equivalents - July 1, 2020	<u>52,588</u>
Cash and Cash Equivalents - June 30, 2021	<u>\$ 39,837</u>

**Ellwood City Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	\$ (1,116,483)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation and Net Amortization	5,200
Change in OPEB Liability	68,184
Donated Commodities	32,899
(Increase) Decrease in Accounts Receivable	(841)
(Increase) Decrease in Inventories	593
Increase (Decrease) in Accounts Payable	5,970
Increase (Decrease) in Deferred Revenue	<u>(593)</u>
Total Adjustments	<u>111,412</u>
Cash Provided by (Used for) Operating Activities	<u>\$ (1,005,071)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2021, the School District received \$32,306 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

**Ellwood City Area School District
Statement of Net Position
Fiduciary Funds
June 30, 2021**

Exhibit 10

	Private Purpose Trust	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 414,657	\$ 66,268
Investments	162,820	-
Other Receivables	-	620
	<u>577,477</u>	<u>66,888</u>
TOTAL ASSETS		
LIABILITIES		
Accounts Payable		1,461
Due to Other Funds		671
	<u>-</u>	<u>2,132</u>
TOTAL LIABILITIES		
NET POSITION		
Restricted for:		
Scholarships	577,477	-
Student Groups	-	64,756
	<u>-</u>	<u>64,756</u>
TOTAL NET POSITION		
	<u>\$ 577,477</u>	<u>\$ 64,756</u>

See Accompanying Notes

Ellwood City Area School District
Statement of Changes in Net Position
Fiduciary Funds
June 30, 2021

Exhibit 11

	Private Purpose Trust	Custodial Fund
Additions		
Revenue from Student Activities	\$ -	\$ 49,355
Interest Earnings	4,810	-
Appreciation on Investments	67,915	-
	72,725	49,355
Total Additions		
	72,725	49,355
Deductions		
Scholarships Awarded	4,000	-
Student Activities Program Expenses	-	53,969
	4,000	53,969
Total Deductions		
	4,000	53,969
Change in Net Position		
	68,725	(4,614)
Net Position- July 1, 2020 (Restated)		
	508,752	69,370
Net Position- June 30, 2021		
	\$ 577,477	\$ 64,756

See Accompanying Notes

Ellwood City Area School District
Notes to Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Ellwood City Area School District, located in Lawrence County, Pennsylvania, provides public education, kindergarten through twelfth grade. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Ellwood City Area School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Ellwood City Area School District
Notes to Financial Statements
June 30, 2021

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports the following major governmental funds and fund types:

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

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

The School District also reports as nonmajor governmental funds the following:

The *debt service fund* accounts for the accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital reserve fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust funds, private purpose trust funds, or custodial funds). The School District reports the following fiduciary fund types:

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships.

The custodial *fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

Ellwood City Area School District
Notes to Financial Statements
June 30, 2021

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements, proprietary fund 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.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund and the fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Joint Ventures

The School District is one of eight member school districts of the Lawrence County Career & Technical Center (“LCCTC”). LCCTC provides vocational and technical education to participating students of the member districts. LCCTC is controlled and governed by the Joint Board, which is composed of all the school board members of all of the member districts. Direct oversight of LCCTC’s operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of LCCTC. The School District’s share of annual operating and capital costs for LCCTC fluctuates, based on the percentage of enrollment of each member district in the school. The School District’s financial obligation to LCCTC for the year ended June 30, 2021 was \$1,017,474 which has been reported in the School District’s general fund. The School District has no equity interest in LCCTC as of June 30, 2021. Complete financial statements for LCCTC can be obtained from the administrative offices at 750 Phelps Way; New Castle, Pennsylvania 16101.

E. Cash and Cash Equivalents

The School District’s policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

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G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. There were no supplemental budgetary appropriations made during the year ended June 30, 2021.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and for comparative purposes the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

I. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2021.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2021 are reported as unavailable revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Building Improvements	20-40
Land Improvements	15-40
Furniture & Equipment	5-20
Vehicles	8

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5-12 years.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premium, discount and insurance are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium, discount and insurance during the current period. The face amount of debt issued is reported as other financing sources while discount and premium on debt issuances are reported as other financing (uses) sources.

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M. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

N. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has various items that qualify for reporting in this category. One item in the government-wide statement of net position are related to the participation in the cost sharing defined benefit pension plan and other post-employment benefit plan. The School District reports no deferred outflows of resources in the fund financial statements.

In addition to liabilities, the statement of financial 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 and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has various items reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and other post-employment benefit plan. The School District has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

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Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purposes of the restricted, committed and assigned fund balance as of June 30, 2021, are as follows:

1. The nonspendable fund balance of \$12,500 in the general fund represents prepaid items.

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2. The assigned fund balance of \$2,500,000 in the general fund is for OPEB and pension liabilities.
3. The restricted fund balance of \$6,616 in the nonmajor fund - Debt Service Fund is for future debt payments.
4. The restricted fund balance of \$11,995,917 in the Capital Projects Fund is from debt proceeds and is for future capital projects.
5. The committed fund balance in the nonmajor fund-Capital Reserve Fund of \$2,801 is for future capital projects.

Note 2 - Deposits and Investments

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2021, \$17,398,063 of the School District's bank balance of \$18,075,767 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$17,398,063</u>

As of June 30, 2021, the School District had the following investments:

Investments	Fair Value	Maturity (Years)
PLGIT	\$ 12,679	
PA Invest	1,288	
PSDLAF	1,453	
Common Stock	90,495	
Corporate Bonds	<u>72,325</u>	10.1
Totals	<u>\$ 178,240</u>	

Of the total investments above, \$162,820 are reported in the School District's fiduciary funds as private purpose trust funds.

Interest Rate Risk – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF), the Pennsylvania Local Government Investment Trust (PLGIT), PA Invest funds were rated AAAM by Standard & Poor's as of June 30, 2021.

The Schools District's investment in the corporate bond is rated by Standard & Poor's and Moody's BB+ and BA2, respectively. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risks - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

PSDLAF and PLGIT are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in the funds. The funds are audited annually by independent auditors. PSDLAF, PLGIT and PA Invest are local government investment pools and are exempt from the requirement of SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds measure for financial reporting purposes its assets at amortized cost and maintain a stable net asset value of \$1 per share. Accordingly, the fair values of the position in PSDLAF, PLGIT and PA Invest are the same as the value of shares. There are no limitations or restrictions on withdrawals.

Fair Value of Investments

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

The only investments that require disclosure as of June 30, 2021 under this hierarchy are the corporate bond and corporate stock and both are considered as Level 1.

Note 3 - Real Estate Taxes

The elected tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2020/2021 was 16.74 mills (\$16.74 per \$1,000 assessed valuation).

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The tax calendar for real estate taxes levied for 2020/2021 is as follows:

Tax Levy Date	July 1, 2020
2% Discount Period	Through August 31, 2020
Face Payment Period	September 1 – October 31, 2020
10% Penalty Period	Beginning November 1, 2020
Lien Filing Date	Turned over to Tax Claim Bureau December 31, 2020

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred inflows of resources on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$866,865 net of the estimated uncollectible amounts.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2021, the following amount is due from other governmental units:

	Governmental Funds
Federal (through the state)	\$ 1,908,243
State	1,294,272
Local	<u>260,794</u>
	<u>\$ 3,463,309</u>

Note 5 - Capital Assets

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

	Balance 07/01/20	Additions	Transfers	Balance 06/30/21
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 204,503	\$ -	\$ -	\$ 204,503
Construction in Progress	<u>-</u>	<u>17,175</u>	<u>-</u>	<u>17,175</u>
Total Capital Assets not Being Depreciated	<u>204,503</u>	<u>17,175</u>	<u>-</u>	<u>221,678</u>
Capital Assets Being Depreciated				
Land Improvements	2,024,899	-	-	2,024,899
Buildings and Building Improv.	29,651,866	282,378	-	29,934,244
Furniture and Equipment	<u>4,349,340</u>	<u>66,412</u>	<u>-</u>	<u>4,415,752</u>
Total Capital Assets Being Depreciated	<u>36,026,105</u>	<u>348,790</u>	<u>-</u>	<u>36,374,895</u>

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	Balance 07/01/20	Additions	Transfers	Balance 06/30/21
Less Accumulated Depreciation				
Land Improvements	1,434,022	19,221	-	1,453,243
Buildings and Building Improv.	14,462,639	810,008	-	15,272,647
Furniture and Equipment	<u>3,730,845</u>	<u>197,457</u>	<u>-</u>	<u>3,928,302</u>
 Total Accumulated Depreciation	 <u>19,627,506</u>	 <u>1,026,686</u>	 <u>-</u>	 <u>20,654,192</u>
 Total Capital Assets Being Depreciated, Net	 <u>16,398,599</u>	 <u>(677,896)</u>	 <u>-</u>	 <u>15,720,703</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 16,603,102</u>	 <u>\$ (660,721)</u>	 <u>\$ -</u>	 <u>\$ 15,942,381</u>
 Business-Type Activities				
Furniture and Equipment	\$ 138,709	\$ 20,887	\$ -	\$ 159,596
 Less Accumulated Depreciation and Equipment	 <u>126,371</u>	 <u>5,200</u>	 <u>-</u>	 <u>131,571</u>
 Business-Type Activities Capital Assets, Net	 <u>\$ 12,338</u>	 <u>\$ 15,687</u>	 <u>\$ -</u>	 <u>\$ 28,025</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 994,867
Operation and Maintenance of Plant Services	6,152
Student Activities	<u>25,667</u>

Total Depreciation Expense \$ 1,026,686

Business-Type Activities - Food Service \$ 5,200

Note 6 - Interfund Balances/Transfers

At June 30, 2021, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 224,527	\$ -
Proprietary Fund		
Food Service	-	223,856
Fiduciary Fund	<u>-</u>	<u>671</u>
	<u>\$ 224,527</u>	<u>\$ 224,527</u>

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Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

The debt service fund transferred \$12,000,000 to the capital projects fund, this was the net proceeds of the 2021 bond issue.

Note 7 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2021 was as follows:

	Balance 07/01/20	Additions	Reductions	Balance 06/30/21	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ -	\$ 15,325,000	\$ -	\$ 15,325,000	\$ 620,000
Plus: Bond Premium	-	2,763,047	13,003	2,750,044	-
	<u>-</u>	<u>18,088,047</u>	<u>13,003</u>	<u>18,075,044</u>	<u>620,000</u>
Total Bonds Payable					
Notes Payable	6,859,000	-	6,859,000	-	-
Capital Leases Payable	87,222	-	42,591	44,631	44,631
Compensated Absences	404,255	40,318	-	444,573	12,165
	<u>404,255</u>	<u>40,318</u>	<u>-</u>	<u>444,573</u>	<u>12,165</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 7,350,477</u>	<u>\$ 18,128,365</u>	<u>\$ 6,914,594</u>	<u>\$ 18,564,248</u>	<u>\$ 676,796</u>

General Obligation Bonds

Series of 2021 \$15,325,000; due in semi-annual installments through November 2038; interest at 3.00% to 5.00%

\$ 15,325,000

The debt service source for the above is the general fund.

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The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2021, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		Totals
	Principal	Interest	
2022	\$ 620,000	\$ 613,429	\$ 1,233,429
2023	640,000	603,300	1,243,300
2024	660,000	580,500	1,240,500
2025	690,000	553,500	1,243,500
2026	720,000	521,700	1,241,700
2027-2031	4,175,000	2,033,300	6,208,300
2032-2036	5,145,000	1,066,100	6,211,100
2037-2039	2,675,000	126,500	2,801,500
	<u>\$ 15,325,000</u>	<u>\$ 6,098,329</u>	<u>\$ 21,423,329</u>

On May 20, 2021, the School District issued \$15,325,000 Series 2021 bonds with interest rates from 3.0% to 5.0% to currently refund the outstanding 2020 general obligation notes (\$5,847,000) with an interest rate of 1.67% and provide funds for various capital projects. The net proceeds of \$5,848,356 (after payment of issuance costs and funds for capital projects of \$12,000,000) were used to currently refund the above notes and outstanding interest. As a result, those notes are considered defeased and the liability for those notes has been removed as a liability in these financial statements.

Capital Leases

The School District is currently obligated for the purchase of a boiler system through capital leasing arrangements.

The assets acquired and capitalized through the capital leases are as follows:

Asset	Governmental Activities
Furniture and Equipment	\$ 952,675
Less: Accumulated Depreciation	<u>(643,056)</u>
Total	<u>\$ 309,619</u>

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

Year Ended June 30,	Governmental Activities
2022	\$ 46,224
Less: Amount representing Interest	<u>(1,593)</u>
Present Value of Minimum Lease Payments	<u>\$ 44,631</u>

Note 8 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

2. Benefits Provided

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

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

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

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

3. Contributions

Member Contributions

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

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

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

Members who joined the System after June 30, 2011, automatically 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%.

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June 30, 2021

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$4,142,226 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$43,527,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions.

At June 30, 2021, the School District's proportion was 0.0884%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$4,551,851. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 114,000	\$ 1,043,000
Net difference between projected and actual investment earnings	1,913,000	-
Changes in proportions	118,000	176,000
Difference between employer contributions and proportionate share of total contributions	-	21,734
Contributions subsequent to the measurement date	<u>4,142,226</u>	<u>-</u>
	<u>\$ 6,287,226</u>	<u>\$ 1,240,734</u>

\$4,142,226 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year Ended June 30,	
2022	\$ (326,433)
2023	119,567
2024	548,567
2025	<u>562,565</u>
	<u>\$ 904,266</u>

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

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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)	<u>-14.0%</u>	-0.7%
	<u><u>100%</u></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.

2. Discount Rate

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

3. Sensitivity of School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 53,852	\$ 43,527	\$ 34,780

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4. Pension Plan Fiduciary Net Position

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

Note 9 - Contingent Liabilities

Ellwood City Area School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2021 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

The COVID-19 pandemic has continued to impact the School District. During the year ended June 30, 2021, the School incurred additional expenses related to mitigating the effects of the pandemic on staff and students. The ultimate outcome cannot be determined at this time. The School District's staff will continue to monitor operating results to mitigate any financial impact that may occur.

As a response to COVID-19, the Coronavirus Aid, Relief and Economics Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act were enacted by Congress to provide budgetary relief to educational agencies. This funding is reflected in these and in future financial statements.

Note 10 - Other Post-Employment Benefit Plan

A. Plan Description

Ellwood City Area School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical and pharmacy for professional and support staff. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

The eligibility and the benefits for each group are as follows:

1) Eligibility and Benefits for Healthcare Coverage

Professional Staff: Eligible for subsidized benefits must meet the following requirements: 25 years of district service with 18 years of professional service with the district and must retire under PSERS early retirement or in the year the member reaches superannuation. Else Act 110/43.

Members qualifying for subsidized benefits are eligible to receive district paid coverage for up to 8 years, or until age 65, if earlier. The member is responsible for paying any increase in medical and prescription drug premium from retirement with a minimum monthly contribution of the \$100 PSERS supplement. For non-spouse dependents, the member must pay 50% of any premium amount over the employee/spouse premium.

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Act 110/43 coverage: Retired employees are allowed to continue coverage for themselves and their dependents in the employer’s group health plan but must provide payment equal to the premium determined for the purpose of COBRA.

Support Staff : Act 110/43 only

2) Duration of Healthcare Benefits

Professional staff: For the subsidized coverage member coverage ends at age 65. Spouse coverage ends at the earlier of age 65, member age 65, or member death.

Act 110/43 coverage ends at member age 65. Spouse coverage ends at age 65, member age 65, or member death.

Employees Covered by Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	<u>207</u>
	<u>214</u>

B. Total OPEB Liability

The School District’s total OPEB liability of \$5,149,865 was measured as of July 1, 2020 and was determined by an actuarial valuation as of July 1, 2020.

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation roll-forward was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.50%
Discount Rate	1.86%
Healthcare Cost Trend Rates	5.50% for 2020/2021, gradually decrease to 4.00% in 2075

The discount rate was based on the S & P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Buck Modified 2016 Projection Scale.

The actuarial assumptions used in the July 1, 2020 valuation roll-forward were selected using input from the School District based upon actual experience.

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D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 6,057,288
Changes for the year:	
Service Cost	336,244
Interest	212,834
Changes of benefit terms	(1,529,863)
Differences between expected and actual experience	(327,871)
Changes of assumptions or other inputs	510,497
Benefit Payments	<u>(109,264)</u>
Net Changes	<u>(907,423)</u>
Balance at June 30, 2021	<u>\$ 5,149,865</u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 3.36% to 1.86%

F. Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.86%) or one percentage point higher (2.86%) than the current discount rate:

	1.00% Decrease 0.86%	Current Discount Rate 1.86%	1.00% Increase 2.86%
Total OPEB Liability	\$ 5,482,310	\$ 5,149,865	\$ 4,822,007

G. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

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

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 4,645,526	\$ 5,149,865	\$ 5,725,236

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H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the School District recognized OPEB Expense (Gain) of (\$1,148,701). At June 30, 2021 the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 478,457	\$ 193,567
Differences between expected and actual experience	-	767,607
Benefit payments subsequent to the measurement date	<u>103,883</u>	<u>-</u>
	<u>\$ 582,340</u>	<u>\$ 961,174</u>

\$103,883 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2022	\$ (64,033)
2023	(64,033)
2024	(64,033)
2025	(64,033)
2026	(64,033)
Thereafter	<u>(162,552)</u>
	<u>\$ (482,717)</u>

Note 11 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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.

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Notes to Financial Statements
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B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

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

3. Pension Plan Description

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

4. Benefits Provided

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$101,361 for the year ended June 30, 2021.

Ellwood City Area School District
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C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the School District reported a liability of \$1,910,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The 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 0.0884%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$95,019. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,000	\$ -
Changes in assumptions	78,000	42,000
Net difference between projected and actual investment earnings	3,000	-
Changes in proportions	8,000	16,000
Difference between employer contributions and proportionate share of total contributions	-	538
Contributions subsequent to the measurement date	<u>101,361</u>	<u>-</u>
	<u>\$ 208,361</u>	<u>\$ 58,538</u>

\$101,361 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2022	\$	3,866
2023		2,866
2024		2,866
2025		18,864
2026		14,000
Thereafter		<u>6,000</u>
	\$	<u>48,462</u>

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1. Actuarial Assumptions

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

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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.

Ellwood City Area School District
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	-1.00%
US Core Fixed Income	46.5%	-0.10%
Non-US Developed Fixed	<u>3.2%</u>	-0.10%
	<u>100%</u>	

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

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current	1.00% Increase
System net OPEB Liability	\$ 1,910	\$ 1,910	\$ 1,910

Ellwood City Area School District
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4. Sensitivity of School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	1.66%	2.66%	3.66%
School District's proportionate share of the net OPEB liability	\$ 2,178	\$ 1,910	\$ 1,688

5. OPEB Plan Fiduciary Net Position

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

Note 12 - Risk Management

The School District is a member of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$3,394,019 and \$3,455,700 for the years ended June 30, 2021 and 2020, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2021, the net position of the Consortium was \$63,689,030 of which \$695,880 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded insurance coverage for the past three years.

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Note 13 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2021, were \$3,232,396.

This includes \$2,675,561 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$556,835 to the federal government for social security and Medicare taxes for the year ended June 30, 2021. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 14 – Prior Period Restatement

Ellwood City Area School District restated both the governmental activities and business-type activities net position as of June 30, 2020 to properly report net pension liability, net OPEB obligation, deferred outflows and deferred inflows per GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The result of the restatement is summarized below:

	Governmental Activities	Business- Type Activities
Net Position, July 1, 2020 (Previously Reported)	\$ (31,395,028)	\$ 3,782
Adjustment to properly state net pension liability as of June 30, 2019, the measurement date	859,872	(859,872)
Adjustment to properly state net OPEB-PSERS plan liability as of June 30, 2019, the measurement date	39,089	(39,089)
Adjustment to properly state net deferred outflow as of June 30, 2019, the measurement date	(116,140)	116,140
Adjustment to properly state net deferred inflow as of June 30, 2019, the measurement date	38,338	(38,338)
Adjustment to properly state compensated absences payable as of June 30, 2020	<u>(331,891)</u>	<u>-</u>
Restated Net Position, July 1, 2020	<u>\$ (30,905,760)</u>	<u>\$ (817,377)</u>

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As a result of the implementation of GASB Statement No. 84 "*Fiduciary Activities*", the School District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2020 was an increase in Custodial Fund net position of \$69,370. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

Also, the Private Purpose Trust fund beginning net position was restated from \$521,067 to \$508,752 as certain funds previously reported as private purpose trust funds do not meet the definition of that fund type. In addition, there was one scholarship fund not previously reported on the financial statements and one of the assets was not reported at the correct fair value as of June 30, 2020.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 6,879,968	\$ 6,879,968	\$ 6,896,169	\$ 16,201
Delinquent Real Estate Taxes	478,250	478,250	659,035	180,785
Public Utility Realty Taxes	9,050	9,050	-	(9,050)
Payments in Lieu of Current Taxes	7,000	7,000	4,444	(2,556)
Current Per Capita Taxes - Sec. 679	26,413	26,413	20,094	(6,319)
Local Services Taxes	17,500	17,500	14,840	(2,660)
Earned Income Taxes	1,246,125	1,246,125	1,388,972	142,847
Real Estate Transfer Taxes	80,000	80,000	198,674	118,674
Earnings on Investments	36,600	36,600	12,300	(24,300)
Other Local Revenues				
Revenue from Student Activities	26,000	26,000	-	(26,000)
Other Revenues from IU	-	-	691,854	691,854
Federal Revenues from IU	854,470	854,470	295,404	(559,066)
Rentals	685	685	384	(301)
Refund of Prior Year's Expenditures	2,000	2,000	106,321	104,321
Miscellaneous Revenue	5,000	5,000	139,650	134,650
Total Revenues from Local Sources	<u>9,669,061</u>	<u>9,669,061</u>	<u>10,428,141</u>	<u>759,080</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	11,760,090	11,760,090	11,686,399	(73,691)
Tuition	10,419	10,419	743	(9,676)
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,512,106	1,512,106	1,489,444	(22,662)
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	658,976	658,976	630,826	(28,150)
Ready to Learn Block Grant	361,395	361,395	361,395	-
Health Services	29,812	29,812	29,691	(121)
State Property Tax Reduction	690,662	690,662	690,662	-
Social Security Payments	580,425	580,425	544,405	(36,020)
State Retirement Revenue	2,676,634	2,676,634	2,625,925	(50,709)
Other State Revenue	65,000	65,000	121,907	56,907
Total Revenues from State Sources	<u>18,345,519</u>	<u>18,345,519</u>	<u>18,181,397</u>	<u>(164,122)</u>

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Elementary & Secondary School Emergency Relief Fund (ESSER)	-	-	417,820	417,820
Elementary & Secondary School Emergency Relief Fund (ESSERS II)	-	-	824,931	824,931
Elementary & Secondary School Emergency Relief Fund (ARP ESSER)	-	-	297,199	297,199
Other CARES Funding	-	-	165,828	165,828
Medical Assistance - Access	167,018	167,018	170,483	3,465
Medical Assistance - Admin.	-	-	14,374	14,374
	<u>167,018</u>	<u>167,018</u>	<u>1,890,635</u>	<u>1,723,617</u>
Total Revenues from Federal Sources	<u>167,018</u>	<u>167,018</u>	<u>1,890,635</u>	<u>1,723,617</u>
Total Revenues	<u>28,181,598</u>	<u>28,181,598</u>	<u>30,500,173</u>	<u>2,318,575</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	6,753,745	6,753,745	6,607,551	146,194
Employee Benefits	4,615,228	4,615,228	4,428,877	186,351
Purchased Prof. and Tech. Services	236,096	236,096	264,022	(27,926)
Purchased Property Services	58,500	58,500	53,753	4,747
Other Purchased Services	548,203	548,203	808,085	(259,882)
Supplies	425,420	425,420	1,146,158	(720,738)
Property	7,400	7,400	919,273	(911,873)
Other Objects	4,000	4,000	7,748	(3,748)
	<u>12,648,592</u>	<u>12,648,592</u>	<u>14,235,467</u>	<u>(1,586,875)</u>
Total Regular Programs	<u>12,648,592</u>	<u>12,648,592</u>	<u>14,235,467</u>	<u>(1,586,875)</u>
Special Programs				
Personal Services				
Salaries	2,086,772	2,086,772	2,017,434	69,338
Employee Benefits	1,694,267	1,694,267	1,542,582	151,685
Purchased Prof. and Tech. Services	224,468	224,468	232,286	(7,818)
Other Purchased Services	1,180,297	1,180,297	861,406	318,891
Supplies	41,679	41,679	22,792	18,887
Other Objects	2,174	2,174	136	2,038
	<u>5,229,657</u>	<u>5,229,657</u>	<u>4,676,636</u>	<u>553,021</u>
Total Special Programs	<u>5,229,657</u>	<u>5,229,657</u>	<u>4,676,636</u>	<u>553,021</u>

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Vocational Education Programs				
Personal Services				
Salaries	180,995	180,995	186,080	(5,085)
Employee Benefits	138,322	138,322	135,879	2,443
Purchased Prof. and Tech. Services	6,148	6,148	1,260	4,888
Other Purchased Services	850,000	850,000	922,163	(72,163)
Supplies	5,850	5,850	4,301	1,549
Total Vocational Education Programs	<u>1,181,315</u>	<u>1,181,315</u>	<u>1,249,683</u>	<u>(68,368)</u>
Other Instructional Programs				
Personal Services				
Salaries	23,491	23,491	17,102	6,389
Employee Benefits	12,198	12,198	7,303	4,895
Purchased Prof. and Tech. Services	27,500	27,500	12,485	15,015
Other Purchased Services	85,425	85,425	73,836	11,589
Total Other Instructional Programs	<u>148,614</u>	<u>148,614</u>	<u>110,726</u>	<u>37,888</u>
Total Instruction	<u>19,208,178</u>	<u>19,208,178</u>	<u>20,272,512</u>	<u>(1,064,334)</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	358,662	358,662	357,759	903
Employee Benefits	241,409	241,409	238,020	3,389
Purchased Prof. and Tech. Services	17,140	17,140	7,594	9,546
Other Purchased Services	4,749	4,749	1,935	2,814
Supplies	41,490	41,490	36,171	5,319
Property	690	690	99	591
Total Pupil Personnel	<u>664,140</u>	<u>664,140</u>	<u>641,578</u>	<u>22,562</u>

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Instructional Staff				
Personal Services				
Salaries	239,303	239,303	211,662	27,641
Employee Benefits	201,170	201,170	197,140	4,030
Purchased Prof. and Tech. Services	6,519	6,519	1,876	4,643
Other Purchased Services	4,945	4,945	740	4,205
Supplies	32,050	32,050	41,422	(9,372)
Property	10,000	10,000	-	10,000
Other Objects	750	750	480	270
	<u>494,737</u>	<u>494,737</u>	<u>453,320</u>	<u>41,417</u>
Administration				
Personal Services				
Salaries	1,025,732	1,025,732	941,995	83,737
Employee Benefits	659,953	659,953	574,581	85,372
Purchased Prof. and Tech. Services	111,000	111,000	125,258	(14,258)
Purchased Property Services	4,470	4,470	2,695	1,775
Other Purchased Services	44,730	44,730	37,111	7,619
Supplies	39,206	39,206	31,698	7,508
Other Objects	17,985	17,985	19,417	(1,432)
	<u>1,903,076</u>	<u>1,903,076</u>	<u>1,732,755</u>	<u>170,321</u>
Pupil Health				
Personal Services				
Salaries	290,886	290,886	326,302	(35,416)
Employee Benefits	229,161	229,161	253,589	(24,428)
Purchased Prof. and Tech. Services	3,900	3,900	1,255	2,645
Purchased Property Services	400	400	50	350
Other Purchased Services	761	761	574	187
Supplies	3,500	3,500	1,488	2,012
	<u>528,608</u>	<u>528,608</u>	<u>583,258</u>	<u>(54,650)</u>

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Business				
Personal Services				
Salaries	182,466	182,466	185,288	(2,822)
Employee Benefits	104,872	104,872	97,583	7,289
Purchased Prof. and Tech. Services	16,550	16,550	9,404	7,146
Purchased Property Services	6,195	6,195	9,488	(3,293)
Other Purchased Services	3,432	3,432	3,248	184
Supplies	17,250	17,250	19,654	(2,404)
Other Objects	300	300	461	(161)
	<u>331,065</u>	<u>331,065</u>	<u>325,126</u>	<u>5,939</u>
Total Business				
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	979,576	979,576	991,175	(11,599)
Employee Benefits	769,459	769,459	732,486	36,973
Purchased Prof. and Tech. Services	5,600	5,600	5,789	(189)
Purchased Property Services	195,211	195,211	118,410	76,801
Other Purchased Services	90,017	90,017	111,990	(21,973)
Supplies	597,219	597,219	633,992	(36,773)
Property	40,000	40,000	12,327	27,673
Other Objects	1,646	1,646	1,197	449
	<u>2,678,728</u>	<u>2,678,728</u>	<u>2,607,366</u>	<u>71,362</u>
Total Oper. and Maint. of Plant Svcs.				
Student Transportation Services				
Personal Services				
Salaries	54,570	54,570	52,297	2,273
Employee Benefits	66,167	66,167	56,444	9,723
Purchased Prof. and Tech. Services	66,600	66,600	32,752	33,848
Other Purchased Services	1,513,937	1,513,937	1,349,478	164,459
Supplies	96,488	96,488	55,763	40,725
	<u>1,797,762</u>	<u>1,797,762</u>	<u>1,546,734</u>	<u>251,028</u>
Total Student Transportation Services				

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Central				
Personal Services				
Salaries	123,840	123,840	121,357	2,483
Employee Benefits	56,863	56,863	58,119	(1,256)
Purchased Prof. and Tech. Services	1,800	1,800	-	1,800
Other Purchased Services	19,750	19,750	160	19,590
Supplies	11,300	11,300	52,134	(40,834)
Property	22,000	22,000	89,959	(67,959)
Total Central	235,553	235,553	321,729	(86,176)
Other				
Other Purchased Services	16,000	16,000	15,467	533
Total Support Services	8,649,669	8,649,669	8,227,333	422,336
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	267,772	267,772	225,316	42,456
Employee Benefits	78,374	78,374	96,250	(17,876)
Purchased Prof. and Tech. Services	74,426	74,426	34,360	40,066
Purchased Property Services	5,216	5,216	3,120	2,096
Other Purchased Services	63,061	63,061	51,833	11,228
Supplies	82,551	82,551	77,051	5,500
Other Objects	9,650	9,650	6,687	2,963
Total Student Activities	581,050	581,050	494,617	86,433
Community Services				
Personal Services				
Salaries	500	500	-	500
Employee Benefits	219	219	-	219
Supplies	450	450	-	450
Other Objects	47,750	47,750	27,500	20,250
Total Community Services	48,919	48,919	27,500	21,419
Total Noninstructional Services	629,969	629,969	522,117	107,852

**Ellwood City Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities Acquisition, Construction and Improvement Services				
Purchased Property Services	<u>-</u>	<u>-</u>	<u>67,481</u>	<u>(67,481)</u>
Debt Service				
Interest	162,221	162,221	108,137	54,084
Refunds of Prior Year's Receipts	500	500	125	375
Redemption of Principal	<u>1,002,033</u>	<u>1,002,033</u>	<u>1,054,591</u>	<u>(52,558)</u>
Total Debt Service	<u>1,164,754</u>	<u>1,164,754</u>	<u>1,162,853</u>	<u>1,901</u>
Total Expenditures	<u>29,652,570</u>	<u>29,652,570</u>	<u>30,252,296</u>	<u>(599,726)</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	140,000	140,000	-	140,000
Budgetary Reserve	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total Other Financing Uses	<u>440,000</u>	<u>440,000</u>	<u>-</u>	<u>440,000</u>
Total Expenditures and Other Financing Uses	<u>30,092,570</u>	<u>30,092,570</u>	<u>30,252,296</u>	<u>(159,726)</u>
Net Change in Fund Balance	(1,910,972)	(1,910,972)	247,877	2,158,849
Fund Balance - July 1, 2020	<u>3,017,906</u>	<u>3,017,906</u>	<u>4,523,072</u>	<u>1,505,166</u>
Fund Balance - June 30, 2021	<u>\$ 1,106,934</u>	<u>\$ 1,106,934</u>	<u>\$ 4,770,949</u>	<u>\$ 3,664,015</u>

Ellwood City Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2021

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

**Ellwood City Area School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Five Years**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	\$ 336,244	\$ 341,442	\$ 373,446	\$ 381,764	\$ -
Interest	212,834	183,024	201,800	155,458	-
Change of benefit terms	(1,529,863)	-	-	-	-
Difference between expected and actual experience	(327,871)	-	(642,205)	-	-
Change of assumptions or other inputs payments	510,497	(177,298)	14,437	(72,757)	-
Benefit payments	<u>(109,264)</u>	<u>(196,746)</u>	<u>(249,714)</u>	<u>(255,026)</u>	<u>-</u>
Net Change in Total OPEB Liability	(907,423)	150,422	(302,236)	209,439	-
Total OPEB Liability - Beginning	<u>6,057,288</u>	<u>5,906,866</u>	<u>6,209,102</u>	<u>5,999,663</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 5,149,865</u>	<u>\$ 6,057,288</u>	<u>\$ 5,906,866</u>	<u>\$ 6,209,102</u>	<u>\$ 5,999,663</u>
Covered-Employee Payroll	\$ 9,778,289	\$ 11,643,566	\$ 11,643,566	\$ 11,551,880	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	52.67%	52.02%	50.73%	53.75%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2021	1.86%
2020	3.36%

The Early Retirement Incentive beginning with the 2021-2022 school year was valued. Professional Staff must now retire under PSERS early retirement, or in the same year that the member reaches superannuation, in order to qualify for subsidized benefits.

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Ellwood City Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Seven Years**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 4,075,431	\$ 4,189,118	\$ 3,903,035	\$ 3,701,923	\$ 3,277,700	\$ 3,075,960	\$ 2,334,621
Contributions in Relation to the Contractually Required Contribution	<u>4,075,431</u>	<u>4,189,118</u>	<u>3,903,035</u>	<u>3,701,923</u>	<u>3,277,700</u>	<u>3,075,960</u>	<u>2,334,621</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 12,106,684	\$ 12,405,215	\$ 12,204,095	\$ 11,848,150	\$ 11,783,891	\$ 11,579,418	\$ 11,329,636
Contributions as a Percentage of Covered Payroll	33.66%	33.77%	31.98%	31.24%	27.82%	26.56%	20.61%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2020 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2021.

**Ellwood City Area School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Eight Years
(Dollar Amount in Thousands)**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0884%	0.0885%	0.0880%	0.0885%	0.0894%	0.0881%	0.0885%	0.0864%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 43,527	\$ 41,403	\$ 42,244	\$ 43,709	\$ 44,304	\$ 38,161	\$ 35,029	\$ 35,369
School District's Covered Payroll	\$ 12,405	\$ 12,204	\$ 11,848	\$ 11,784	\$ 11,579	\$ 11,330	\$ 11,295	\$ 11,092
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	350.88%	339.26%	356.55%	370.92%	382.62%	336.81%	310.13%	318.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.32%	55.66%	54.00%	51.84%	51.84%	50.14%	54.36%	57.24%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Ellwood City Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS OPEB Plan
Last Four Years**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 101,361	\$ 105,481	\$ 99,257	\$ 98,805
Contributions in Relation to the Contractually Required Contribution	<u>101,361</u>	<u>105,481</u>	<u>99,257</u>	<u>98,805</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$12,106,684	\$12,405,215	\$12,204,095	\$11,848,150
Contributions as a Percentage of Covered Payroll	0.84%	0.85%	0.81%	0.83%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2020 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2021.

**Ellwood City Area School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net OPEB Liability
PSERS OPEB Plan
Last Four Years
(Dollar Amount in Thousands)**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.0884%	0.0885%	0.0880%	0.0885%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,910	\$ 1,882	\$ 1,803	\$ 1,926
School District's Covered Payroll	\$ 12,405	\$ 12,204	\$ 11,848	\$ 11,225
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.40%	15.42%	15.22%	17.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.69%	5.56%	5.56%	5.73%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

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Members of the Board
Ellwood City Area School District
Ellwood City, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Ellwood City Area School District for the period ended June 30, 2021 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. 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*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2022

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EXHIBIT A

**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***

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ellwood City Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ellwood City Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ellwood City 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 Ellwood City Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2022

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EXHIBIT B

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Members of the Board
Ellwood City Area School District
Ellwood City, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Ellwood City 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 Ellwood City Area School District's major federal programs for the year ended June 30, 2021. Ellwood City Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ellwood City 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 Ellwood City 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 Ellwood City Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ellwood City 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 Ellwood City 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 Ellwood City 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 Ellwood City Area School District's internal control over compliance.

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

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

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

Hosack, Specht, Muetzl & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 28, 2022

**Ellwood City Area School District
Schedule of Findings and Questioned Costs
June 30, 2021**

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
84.027 and 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? ✓ yes _____ no

**Ellwood City Area School District
Schedule of Findings and Questioned Costs
June 30, 2021**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

**Ellwood City Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project 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	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/21
U.S. Department of Education Passed through the Pennsylvania Department of Education										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	200-200137	03/13/20-09/30/21	\$ 367,985	\$ 96,838	\$ -	\$ 367,985	\$ 367,985	\$ 271,147
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210137	03/13/20-09/30/23	1,811,737	129,132	-	824,931	824,931	695,799
						<u>225,970</u>	<u>-</u>	<u>1,192,916</u>	<u>1,192,916</u>	<u>966,946</u>
COVID-19 Governor's Emergency Education Relief Fund	I	84.425C	253-200137	03/13/20-09/30/21	8,590	1,356	-	-	-	(1,356)
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-210137	03/13/20-09/30/24	3,664,620	-	-	297,199	297,199	297,199
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 Safety and Security Grant	I	84.425D	2020-ES-01-35086	01/01/21-09/30/22	49,835	49,433	-	49,835	49,835	402
						<u>276,759</u>	<u>-</u>	<u>1,539,950</u>	<u>1,539,950</u>	<u>1,263,191</u>
Special Education Cluster Passed through the Pennsylvania Department of Education										
COVID-19 SECIM	I	84.027	252-200137	03/13/20-09/30/21	17,489	2,761	-	-	-	(2,761)
Passed through the Lancaster-Lebanon Intermediate Unit										
IDEA B	I	84.027	062-210033	07/01/20-09/30/21	15,000	13,322	-	13,322	13,322	-
Passed through the Midwestern IU IV										
IDEA B	I	84.027	062-200004	07/01/20-09/30/21	279,664	121,599	-	279,664	279,664	158,065
IDEA B	I	84.027	062-190004	07/01/19-09/30/20	289,236	121,513	(F) 121,513	-	-	-
IDEA B Section 619	I	84.173	131-200004	07/01/20-06/30/21	2,418	-	-	2,418	2,418	2,418
IDEA B Section 619	I	84.173	131-190004	07/01/19-06/30/20	3,411	764	(F) 764	-	-	-
Subtotal Special Education Cluster						<u>259,959</u>	<u>122,277</u>	<u>295,404</u>	<u>295,404</u>	<u>157,722</u>
Subtotal U.S. Department of Education						<u>536,718</u>	<u>122,277</u>	<u>1,835,354</u>	<u>1,835,354</u>	<u>1,420,913</u>

Ellwood City Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project 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	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/21
U.S. Department of Treasury Passed through the Pennsylvania Commission on Crime and Delinquency COVID-19 Grant 2020	I	21.019	2020-CS-01-33522	03/13/20-10/30/20	189,121	<u>189,121</u>	<u>23,293</u>	<u>165,828</u>	<u>165,828</u>	<u>-</u>
U.S. Department of Health and Human Services Passed through the Pennsylvania Department of Public Welfare Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/20-06/30/21	N/A	<u>8,763</u>	<u>-</u>	<u>14,374</u>	<u>14,374</u>	<u>5,611</u>
U.S. Department of Agriculture Passed through the Pennsylvania Department of Education National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	431,246 (F)	5,474	501,962	501,962	76,190
National School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	207,813	3,441	241,497	241,497	37,125
Passed through the Pennsylvania Department of Agriculture National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/20-06/30/21	N/A	<u>32,306</u>	<u>(7,749)</u>	<u>32,899</u>	<u>32,899</u>	<u>(7,156)</u>
Total U.S. Department of Agriculture and Nutrition Cluster						<u>671,365</u>	<u>1,166</u>	<u>776,358</u>	<u>776,358</u>	<u>106,159</u>
Total Federal Financial Assistance						<u>\$ 1,405,967</u>	<u>\$ 146,736</u>	<u>\$ 2,791,914</u>	<u>\$ 2,791,914</u>	<u>\$ 1,532,683</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Ellwood City Area School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Ellwood City Area School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ellwood City Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Ellwood City Area School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Ellwood City Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 1,405,967
Less: Commodities Received	(32,306)
Less: Pass Through IU	(257,198)
Less: Title 19	(8,763)
Less: Pass Through PCCD	(238,554)
Add: State Funding on Confirmation	<u>27,423</u>
 Per Subsidy Confirmation	 <u><u>\$ 896,569</u></u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

Note F – Restatement

The amount of the Accrued revenue at July 1, 2020 for the National School Lunch Program and the Special Education Cluster has been restated.

**Ellwood City Area School District
List of Report Distribution
June 30, 2021**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census