

BENTON AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2020
AND
INDEPENDENT AUDITOR'S REPORT**

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors of
Benton Area School District

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 Benton Area School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Benton Area School District as of June 30, 2020, 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 and other required supplementary information, as listed 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.

McKonly & Asbury, LLP

Bloomsburg, Pennsylvania
November 20, 2020

BENTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Benton Area School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in its Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current and prior year is required to be presented in MD&A.

Financial Highlights

Key financial information for the year ending June 30, 2020, are as follows:

- The District's net position decreased from a deficit of \$13,476,436 as of June 30, 2019 to a deficit of \$13,914,651 as of June 30, 2020. The total decrease in net position of \$438,215 was largely a result of the District exceeding its budgeted loss of \$300,000 and as a result of the District recognizing changes in its actuarially determined pension and other postemployment benefits (OPEB) liabilities.
- The operations of the General Fund of the District finished the year with \$13,772,692 of revenues, and \$14,230,563 of expenditures resulting in a deficiency of revenues over expenditures of \$457,871. The District's refinance of long-term debt provided additional financing sources of \$865,000 during the year.
- The District's General Fund ended the year with a fund balance of \$1,872,872.

New Accounting Pronouncements

During fiscal 2019-2020, the District did not adopt any new accounting pronouncements.

Financial Statements

The accompanying financial statements present both government-wide and fund level financial statements. The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The remaining financial statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.

Government-wide Financial Statements

The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources other than those held in fiduciary funds. 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. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. To assess the District's overall health, consideration needs to be given to additional non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing facilities.

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

- *Governmental activities* – Most of the District's basic services are included here, such as regular, special, and vocational education, instructional support services, and non-instructional services. Program specific operating grants and contributions finance certain of these activities, while property taxes, other taxes levied for specific purposes, and other general revenues fund the remaining costs.
- *Business-type activities* – The District administers a food-service program and charges fees to cover the cost of operations. In addition to fees charged, the District also receives program specific operating grants and contributions to fund these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, rather than the District as a whole. Funds track specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- *Governmental funds* – Most of the 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 basis of 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 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 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.
- *Proprietary funds* – Proprietary funds are used to account for the District's activities that are similar to business operations in the private-sector; or where the reporting is on determining net income, financial position, or changes in financial position, and a significant portion of funding is generated through user charges. When the District charges customers for the service it provides, these services are generally reported in proprietary funds. The Food Service Fund is the District's only proprietary fund and is the same as the business-type activities we report in the government-wide financial statements, but provides more detail and additional information, such as cash flows.

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

Financial Analysis of the District as a Whole

Net Position

Table 1 is a summary comparison of the Statement of Net Position for the District's activities as of June 30, 2020 and 2019.

Table 1
Condensed Statements of Net Position
June 30, 2020 and 2019

	2020	2019	Increase (Decrease)	Percentage Change
Current assets	\$ 3,720,799	\$ 3,500,663	\$ 220,136	6.3%
Capital assets (net)	12,232,670	12,337,351	(104,681)	-0.8%
Other noncurrent assets	18,633	86,588	(67,955)	-78.5%
Total assets	<u>15,972,102</u>	<u>15,924,602</u>	<u>47,500</u>	0.3%
Deferred outflows of resources	<u>3,688,344</u>	<u>3,470,197</u>	<u>218,147</u>	6.3%
Current liabilities	2,104,437	2,269,080	(164,643)	-7.3%
Noncurrent liabilities	30,342,199	30,167,150	175,049	0.6%
Total liabilities	<u>32,446,636</u>	<u>32,436,230</u>	<u>10,406</u>	0.0%
Deferred inflows of resources	<u>1,128,461</u>	<u>435,005</u>	<u>693,456</u>	159.4%
Net position:				
Net investment in capital assets	3,247,670	3,391,394	(143,724)	-4.2%
Restricted	55,813	53,990	1,823	3.4%
Unrestricted	(17,218,134)	(16,921,820)	(296,314)	-1.8%
Total net position	<u>\$ (13,914,651)</u>	<u>\$ (13,476,436)</u>	<u>\$ (438,215)</u>	-3.3%

Current assets have increased from June 30, 2019 to June 30, 2020 as the District has additional cash on hand that was generated with the refinance of substantially all of the District's long-term debt. Capital assets have decreased from June 30, 2019 to June 30, 2020 because the depreciation during the year was more than the amount of capital assets that the District acquired during the year.

The changes in deferred outflows of resources and deferred inflows of resources is reflective of changes in the actuarial assumptions and other variables surrounding the District's pension and other postemployment benefit plans.

Revenues and Expenses

The District's total revenues for the 2019-2020 fiscal year were \$14,026,137. Property taxes and other taxes levied for specific purposes amounted to \$6,260,621, or approximately 45% of total revenues. Grant revenues not restricted to specific programs (basic education funding) amounted to \$3,616,210, or 26% of total revenues. Program specific operating grants and contributions amounted to \$3,966,543, or approximately 28% of total revenues. The remaining revenues were generated from fees charged for services and other miscellaneous sources.

During 2019-2020, the cost of all programs and services amounted to \$14,464,352, a 1.59% increase over 2018-2019. The increase is primarily due to increases in salaries and retirement benefit expenses, offset by the District's cost-cutting measures. During 2019-2020, the District's retirement expense increased from 33.43% of covered payroll to 34.22% of covered payroll.

The results of this year's operations for the District as a whole are reported in the statement of activities. Table 2 takes the information from that statement and rearranges it slightly so the reader can see the results of operations for the 2019-2020 fiscal year compared to 2018-2019 fiscal year.

Table 2
Condensed Statements of Activities
Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020	Year Ended June 30, 2019	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 91,083	\$ 133,118	\$ (42,035)	-31.6%
Operating grants and contributions	3,966,543	3,334,035	632,508	19.0%
General revenue:				
Taxes levied	6,260,621	6,149,726	110,895	1.8%
Other general revenue	3,707,890	3,509,205	198,685	5.7%
Total revenues	<u>14,026,137</u>	<u>13,126,084</u>	<u>900,053</u>	6.9%
Functions/Program Expenses:				
Instruction	8,092,965	8,135,523	(42,558)	-0.5%
Support services	4,997,060	4,587,840	409,220	8.9%
Non-instructional services	1,127,506	1,208,180	(80,674)	-6.7%
Food service	246,821	305,866	(59,045)	-19.3%
Total expenses	<u>14,464,352</u>	<u>14,237,409</u>	<u>226,943</u>	1.6%
Change in net position	(438,215)	(1,111,325)	673,110	60.6%
Net position, beginning	<u>(13,476,436)</u>	<u>(12,365,111)</u>	<u>(1,111,325)</u>	-9.0%
Net position, ending	<u>\$ (13,914,651)</u>	<u>\$ (13,476,436)</u>	<u>\$ (438,215)</u>	-3.3%

Financial Analysis of the District's Funds

At June 30, 2020, the District's governmental funds reported fund balances of \$1,967,212, of which \$1,077,872 was unassigned. The remainder of the fund balance is non-spendable, restricted, committed or assigned, which indicates that it is not available for general use as it is committed for specific purposes.

The General Fund, which is the chief operating fund of the District, had an increase in fund balance of \$407,129 from \$1,465,743 to \$1,872,872. This increase was consistent with the budgeted decrease in fund balance, offset by proceeds obtained through the District's long-term debt refinance.

The Capital Reserve Fund had a decrease in fund balance of \$89,436 from \$127,963 to \$38,527 as the District used capital reserve funds for the satisfaction of its CMAVTS Note as well as miscellaneous repairs to District property.

The Permanent Funds had an increase in fund balance of \$1,823 from \$53,990 to \$55,813.

The Food Service Fund had a decrease in net position of \$11,424 from \$112,252 to \$108,828.

General Fund Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting. Accordingly, the District's Budgetary Comparison Schedule is prepared on the modified accrual basis of accounting. No changes to the budget were made during the fiscal year. Actual general fund revenues were \$641,507 higher than budgeted revenues. Actual general fund expenditures were \$799,378 higher than budgeted expenditures. In addition, the District's refinance of long-term debt provided additional financing sources of \$865,000 during the year.

Capital Assets

At June 30, 2020, the District had investments in capital assets of \$12,232,670, net of depreciation; a decrease of \$104,681 from June 30, 2019. Detailed information about the District's capital asset activity is presented in Note 4 to the financial statements.

Long-term Debt

At June 30, 2020, the District had outstanding debt of \$8,985,000, an increase of \$50,908 from June 30, 2019. Detailed information about the District's long-term debt activity is presented in Note 6 to the financial statements.

Currently Known Facts, Decisions, or Conditions

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

- The fiscal 2020-2021 PSERS contribution rate increased to 34.51% of covered-employee payroll. Annual increases are expected to continue over the next few years. The District has earmarked certain funds to defray the cost of these increases.
- The Commonwealth of Pennsylvania's Act I Index limits the amount of millage that can be increased in any given year. This impacts the District's ability to generate revenue.
- The District is continuing to reduce the District's fund balance to balance the budget. For fiscal 2020-2021, the District has budgeted a General Fund deficit of \$626,723.

Contacting District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, and creditors with a general overview of the District's finances and to show the Board's accountability for the funding it receives. If you have any questions about this report or wish to request additional financial information, please contact the Business Manager at Benton Area School District, 600 Green Acres Road, Benton, PA 17814, or by calling (570) 925-6651.

BENTON AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,426,108	\$ 115,333	\$ 2,541,441
Taxes receivable	745,526	-	745,526
Due from other funds	34,766	-	34,766
Due from other governments	385,241	7,863	393,104
Inventories	-	5,962	5,962
Total current assets	<u>3,591,641</u>	<u>129,158</u>	<u>3,720,799</u>
Noncurrent assets:			
Land and land improvements, net	411,984	-	411,984
Buildings and improvements, net	9,250,578	-	9,250,578
Furniture and equipment, net	2,117,409	19,618	2,137,027
Construction in progress	433,081	-	433,081
Beneficial interest in assets held at CSCF	18,633	-	18,633
Total noncurrent assets	<u>12,231,685</u>	<u>19,618</u>	<u>12,251,303</u>
Total assets	<u>15,823,326</u>	<u>148,776</u>	<u>15,972,102</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	3,119,655	-	3,119,655
Other postemployment benefits deferrals	568,689	-	568,689
Total deferred outflows of resources	<u>3,688,344</u>	<u>-</u>	<u>3,688,344</u>
LIABILITIES			
Current liabilities:			
Current maturities of long-term debt	742,000	-	742,000
Accounts payable	47,494	9,884	57,378
Accrued payroll and payroll deductions	1,258,305	-	1,258,305
Accrued interest payable	8,690	-	8,690
Due to other funds	-	34,766	34,766
Deferred revenue	-	3,298	3,298
Total current liabilities	<u>2,056,489</u>	<u>47,948</u>	<u>2,104,437</u>
Noncurrent liabilities:			
Long-term debt	8,243,000	-	8,243,000
Proportionate share of collective net pension liability	18,105,000	-	18,105,000
Accrued compensated absences	63,297	-	63,297
Other postemployment benefits liability	3,930,902	-	3,930,902
Total noncurrent liabilities	<u>30,342,199</u>	<u>-</u>	<u>30,342,199</u>
Total liabilities	<u>32,398,688</u>	<u>47,948</u>	<u>32,446,636</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	977,093	-	977,093
Other postemployment benefits deferrals	151,368	-	151,368
Total deferred inflows of resources	<u>1,128,461</u>	<u>-</u>	<u>1,128,461</u>
NET POSITION			
Invested in capital assets, net of related debt	3,228,052	19,618	3,247,670
Restricted for:			
Nonexpendable - scholarships / library	55,813	-	55,813
Unrestricted	<u>(17,299,344)</u>	<u>81,210</u>	<u>(17,218,134)</u>
Total net position	<u>\$ (14,015,479)</u>	<u>\$ 100,828</u>	<u>\$ (13,914,651)</u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions / Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instructional services:							
Regular instruction	\$ 5,562,564	\$ -	\$ 1,141,611	\$ -	\$ (4,420,953)	\$ -	\$ (4,420,953)
Special instruction	1,444,873	-	795,535	-	(649,338)	-	(649,338)
Vocational instruction	904,106	-	110,920	-	(793,186)	-	(793,186)
Other instructional programs	181,422	-	170,645	-	(10,777)	-	(10,777)
Total instructional services	<u>8,092,965</u>	<u>-</u>	<u>2,218,711</u>	<u>-</u>	<u>(5,874,254)</u>	<u>-</u>	<u>(5,874,254)</u>
Support services:							
Pupil personnel	571,960	-	67,434	-	(504,526)	-	(504,526)
Instructional staff	727,449	-	61,224	-	(666,225)	-	(666,225)
Administration	882,895	-	164,428	-	(718,467)	-	(718,467)
Pupil health	164,408	-	15,355	-	(149,053)	-	(149,053)
Business services	434,276	-	36,048	-	(398,228)	-	(398,228)
Operation of plant and maintenance services	992,962	-	60,110	-	(932,852)	-	(932,852)
Student transportation services	731,421	-	427,724	-	(303,697)	-	(303,697)
Central and other support services	491,689	-	31,925	-	(459,764)	-	(459,764)
Total support services	<u>4,997,060</u>	<u>-</u>	<u>864,248</u>	<u>-</u>	<u>(4,132,812)</u>	<u>-</u>	<u>(4,132,812)</u>
Non-instructional services:							
Student activities	280,351	2,995	21,839	-	(255,517)	-	(255,517)
Community services	2,726	-	-	-	(2,726)	-	(2,726)
Scholarships and awards	15,541	-	-	-	(15,541)	-	(15,541)
Interest on long-term debt	214,375	-	714,436	-	500,061	-	500,061
Unallocated depreciation expense	614,513	-	-	-	(614,513)	-	(614,513)
Total non-instructional services	<u>1,127,506</u>	<u>2,995</u>	<u>736,275</u>	<u>-</u>	<u>(388,236)</u>	<u>-</u>	<u>(388,236)</u>
Total governmental activities	14,217,531	2,995	3,819,234	-	(10,395,302)	-	(10,395,302)
BUSINESS-TYPE ACTIVITIES							
Food service	246,821	88,088	147,309	-	-	(11,424)	(11,424)
Total primary government	<u>14,464,352</u>	<u>\$ 91,083</u>	<u>\$ 3,966,543</u>	<u>\$ -</u>	<u>(10,395,302)</u>	<u>(11,424)</u>	<u>(10,406,726)</u>
GENERAL REVENUES							
Property taxes, levied for general purposes, net					5,044,380	-	5,044,380
Taxes levied for specific purposes					1,216,241	-	1,216,241
Grants and entitlements not restricted to specific programs					3,616,210	-	3,616,210
Investment earnings					48,883	-	48,883
Contributions					18,709	-	18,709
Miscellaneous income					24,088	-	24,088
Total general revenues					<u>9,968,511</u>	<u>-</u>	<u>9,968,511</u>
CHANGE IN NET POSITION					(426,791)	(11,424)	(438,215)
NET POSITION, BEGINNING					<u>(13,588,688)</u>	<u>112,252</u>	<u>(13,476,436)</u>
NET POSITION, ENDING					<u>\$ (14,015,479)</u>	<u>\$ 100,828</u>	<u>\$ (13,914,651)</u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>PERMANENT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 2,260,965	\$ 127,963	\$ 37,180	\$ 2,426,108
Taxes receivable	745,526	-	-	745,526
Due from other funds	124,202	-	-	124,202
Due from other governments	385,241	-	-	385,241
Beneficial interest in assets held at CSCF	-	-	18,633	18,633
Total assets	<u>\$ 3,515,934</u>	<u>\$ 127,963</u>	<u>\$ 55,813</u>	<u>\$ 3,699,710</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 47,494	\$ -	\$ -	\$ 47,494
Due to other funds	-	89,436	-	89,436
Accrued payroll and payroll deductions	1,258,305	-	-	1,258,305
Total liabilities	<u>1,305,799</u>	<u>89,436</u>	<u>-</u>	<u>1,395,235</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	337,263	-	-	337,263
FUND BALANCES				
Spendable:				
Restricted	-	-	55,813	55,813
Committed	360,000	-	-	360,000
Assigned	435,000	38,527	-	473,527
Unassigned	1,077,872	-	-	1,077,872
Total fund balances	<u>1,872,872</u>	<u>38,527</u>	<u>55,813</u>	<u>1,967,212</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,515,934</u>	<u>\$ 127,963</u>	<u>\$ 55,813</u>	<u>\$ 3,699,710</u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

Total fund balances - governmental funds \$ 1,967,212

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 the governmental funds. These consist of:

Cost of the capital assets	27,287,545	
Accumulated depreciation	<u>(15,074,493)</u>	
Total capital assets, net of depreciation		12,213,052

Pension and other postemployment benefits deferrals are deferred outflows of resources on the statement of net position but are not reported in the governmental funds 3,688,344

Revenues that have been deferred or unearned in the governmental funds, but are recognized as revenue in the government-wide financial statements 337,263

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

Accrued interest on long-term debt	(8,690)	
Bonds payable	(8,985,000)	
Proportionate share of collective net pension liability	(18,105,000)	
Accrued compensated absences	(63,297)	
Other postemployment benefits liability	<u>(3,930,902)</u>	
Total long-term liabilities		(31,092,889)

Pension and other postemployment benefits deferrals are deferred inflows of resources on the statement of net position but are not reported in the governmental funds (1,128,461)

Total net position - governmental activities \$ (14,015,479)

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2020

	<u>GENERAL FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>PERMANENT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local sources:				
Local taxes	\$ 6,259,937	\$ -	\$ -	\$ 6,259,937
Locally generated non-tax	<u>355,252</u>	<u>-</u>	<u>17,364</u>	<u>372,616</u>
Total local sources	6,615,189	-	17,364	6,632,553
State grants and subsidies	6,933,632	-	-	6,933,632
Federal grants and subsidies	<u>223,871</u>	<u>-</u>	<u>-</u>	<u>223,871</u>
 Total revenues	<u>13,772,692</u>	<u>-</u>	<u>17,364</u>	<u>13,790,056</u>
EXPENDITURES				
Instruction	7,649,391	-	-	7,649,391
Support services	5,270,491	43,818	-	5,314,309
Non-instruction services	272,658	-	15,541	288,199
Debt service (principal and interest)	<u>1,038,023</u>	<u>45,618</u>	<u>-</u>	<u>1,083,641</u>
 Total expenditures	<u>14,230,563</u>	<u>89,436</u>	<u>15,541</u>	<u>14,335,540</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(457,871)	(89,436)	1,823	(545,484)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	9,048,000	-	-	9,048,000
Debt service - refunded debt	<u>(8,183,000)</u>	<u>-</u>	<u>-</u>	<u>(8,183,000)</u>
NET CHANGE IN FUND BALANCES	407,129	(89,436)	1,823	319,516
FUND BALANCES, BEGINNING OF YEAR	<u>1,465,743</u>	<u>127,963</u>	<u>53,990</u>	<u>1,647,696</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,872,872</u>	<u>\$ 38,527</u>	<u>\$ 55,813</u>	<u>\$ 1,967,212</u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - governmental funds \$ 319,516

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

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

Depreciation expense	(614,513)	
Capitalized capital outlays	510,490	(104,023)

Contributions to pension plan in the current fiscal year are not included on the statement of activities 1,933,655

Other postemployment benefits paid in the current fiscal year are not included on the statement of activities 121,663

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statement of net position (9,048,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position 8,929,512

Governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities 79,445

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds 684

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:

Accrued interest on long-term debt	43,309	
Other postemployment benefits liability	(419,308)	
Proportionate share of collective net pension liability	(2,275,264)	
Accrued compensated absences	(7,980)	(2,659,243)

Change in net position of governmental activities \$ (426,791)

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2020**

	FOOD SERVICE FUND
ASSETS	
Current assets:	
Cash	\$ 115,333
Due from other governments	7,863
Inventories	<u>5,962</u>
Total current assets	129,158
Noncurrent assets:	
Furniture and equipment, net	<u>19,618</u>
Total assets	<u>148,776</u>
LIABILITIES	
Current liabilities:	
Accounts payable	9,884
Due to other funds	34,766
Deferred revenue	<u>3,298</u>
Total current liabilities	<u>47,948</u>
NET POSITION	
Invested in capital assets	19,618
Unrestricted	<u>81,210</u>
Total net position	<u><u>\$ 100,828</u></u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	FOOD SERVICE FUND
OPERATING REVENUES	
Charges for services	\$ 88,088
OPERATING EXPENSES	
Other purchased services	226,860
Supplies	19,303
Depreciation	658
Total operating expenses	246,821
OPERATING LOSS	(158,733)
NONOPERATING REVENUES	
State sources	6,677
Federal sources	140,632
Total nonoperating revenues	147,309
CHANGE IN NET POSITION	(11,424)
NET POSITION, BEGINNING OF YEAR	112,252
NET POSITION, END OF YEAR	\$ 100,828

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 86,432
Cash payments to suppliers for goods and services	<u>(181,790)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(95,358)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State sources	7,489
Federal sources	<u>152,090</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>159,579</u>
NET INCREASE IN CASH	64,221
CASH, BEGINNING OF YEAR	<u>51,112</u>
CASH, END OF YEAR	<u><u>\$ 115,333</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (158,733)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	658
Changes in assets and liabilities:	
Inventories	2,364
Other receivables	33,088
Accounts payable	(5,845)
Due to other funds	34,766
Deferred revenue	<u>(1,656)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (95,358)</u></u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	<u>STUDENT ACTIVITIES (Agency Funds)</u>
ASSETS	
Cash	\$ 70,070
LIABILITIES	
Accounts payable	\$ 44
Due to student groups	<u>70,026</u>
Total liabilities	<u>\$ 70,070</u>

See Notes to Financial Statements.

BENTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Benton Area School District, (the "District") have been prepared to conform to Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental and financial reporting principles. The District also applies Financial Accounting Standards Board ("FASB") statements and interpretations to its governmental and business-type activities in certain situations.

A. GENERAL STATEMENT

The Benton Area School District is located in the northern-most section of Columbia County, Pennsylvania, and is composed of six political subdivisions: Benton Borough, Stillwater Borough, Benton Township, Fishing Creek Township, Jackson Township and Sugarloaf Township. The District is a rural area surrounded by agricultural areas and encompasses an area of approximately 98.6 square miles. The District is classified as a school district of the fourth class under the Commonwealth of Pennsylvania, Public School Code of 1949. The authority to establish, equip, furnish, operate and maintain the public schools of the District is vested in an elected nine member Board of School Directors ("School Board" or "Board") constituted and governed by Title 24 of the Pennsylvania Statutes, the Public School Code of 1949 as amended, and Article III of the Constitution and applicable federal and state laws and regulations. The Board will exercise its executive power by the appointment of a district Superintendent who shall enforce the statutes of the Commonwealth, the regulations of the Pennsylvania Department of Education ("PDE"), the policies of the Board, and all other applicable laws and regulations.

B. FINANCIAL REPORTING ENTITY

A reporting entity consists of the primary government and other organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria would be necessary in order to prevent the reporting entity's financial statements from being misleading. In such circumstances, that organization should be included as a component unit. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the Benton Area School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The following circumstances set forth a primary government's financial accountability for a legally separate organization:

- a. The primary government is financially accountable if it appoints a voting majority of the organization's governing body *and* (a) it is able to impose its will on that organization *or* (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

- b. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

The Benton Area School District does not have any component units based upon the above criteria.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. The fiduciary funds are reported by fund type.

The governmental funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring inter-period equity whether current year revenues were sufficient to pay for current year services. The proprietary fund is accounted for on an "economic resources" measurement focus. Accordingly, the statement of revenues, expenses and changes in fund net position for the proprietary fund reports increases and decreases in total economic net worth. Permanent funds are reported using the economic resources measurement focus.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Governmental Funds

Governmental funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except any accounted for in the proprietary fund or fiduciary fund) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major governmental funds:

General Fund – The general fund is the primary operating fund of the District. Tax revenues, nonexchange revenues from PDE, and other receipts not allocated by law or contractual agreement to other funds are accounted for in this fund. Similarly, general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from this fund.

Capital Reserve Fund – The capital reserve fund accounts for funds assigned by the District's governing board to be used for the acquisition, construction, or renovation of capital facilities, including land and equipment. The fund is also used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds –The permanent funds provide services utilizing only earnings and not fund principal. The following are the District's permanent fund types:

Joseph F. Derr Scholarship Fund - restricted for use in providing annual scholarships to the District's college bound seniors.

Melba C. Hyde Scholarship Fund - restricted for use in providing annual scholarships to the District's college bound seniors.

Joseph F. Derr Library Fund - restricted for providing materials for the District's libraries.

The permanent funds are funded on an annual basis under the terms of the individual trusts which allocates a portion of the earnings of each trust to the District for the purposes specified.

Proprietary Funds

Proprietary funds are used to account for ongoing governmental activities that are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Proprietary funds are accounted for on a flow of economic resources measurement focus. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about the District's food service fund which is its only proprietary fund and is used to account for its food service operations.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The District's fiduciary funds consist of activity funds, which are established to account for the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. These funds are considered agency funds (custodial in nature) and do not involve measurement of results of operations. These funds account for assets held by the District as a trustee or agent for individuals, private organizations and other units of government.

BASIS OF ACCOUNTING

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

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include derived tax revenues (personal income taxes), imposed non-exchange revenues (property taxes) and government-mandated and voluntary non-exchange revenues (grants and entitlements).

The District considers all revenues (with the exception of expenditure-driven grants and tuition reimbursement revenue) as available if they are collected within sixty (60) days after year end. The expenditure driven grants and tuition reimbursement revenues are considered available if received within one year from the balance sheet date. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the un-matured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaid items which are recognized when due / paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as deferred inflows of resources.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are received primarily from PDE. The District files reports on full time equivalent student membership with PDE. PDE accumulates information from these reports and calculates the allocation of PDE funds to the District. After review and verification of the membership reports and supporting documentation, PDE may adjust subsequent fiscal period allocations of PDE funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

PDE provides these revenues to the District for use in administering certain categorical educational programs and to provide for reimbursement of certain eligible expenditures. PDE rules require that revenue earmarked for certain programs be expended only for the program stipulated and further, requires that the money not expended as of the close of the current fiscal year be carried forward into the following year to be expended for the same categorical educational programs. If any of the funds are unable to be ultimately used in a stipulated program, they are to be returned to PDE and are recorded in the year returned.

Property Taxes – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. On a modified accrual basis, delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end.

D. BUDGETARY PROCESS

The District is required by state law to adopt an annual budget for the General Fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP. The Commonwealth of Pennsylvania does not require any other funds to have an annual budget adopted; therefore, no budgetary comparisons schedules are shown except for the General Fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Budget Planning and Preparation – In mid-November of each fiscal year, the Superintendent and program administrators meet in order to estimate the annual cost for implementation of the District's educational programs, prepare a long-range plan for annual maintenance and replacement of facilities and future technology needs, estimate anticipated future enrollments, estimate anticipated revenues based on changes in state and federal legislation, and to establish a projected budget of expenditures and income for the current and ensuing fiscal years. When presented for Board review, the proposed budget shall contain the estimated revenue and expenditure in each financial category for the ensuing year, and an estimate of revenue and expenditure in each financial category for the previous school year, student population for the coming school year, amount of surplus anticipated at the end of the current school year, and explanation of each item of expense proposed.

Budget Adoption – At least thirty (30) days prior to adoption of the final budget, the Board shall prepare and present a proposed budget. The proposed budget shall be available for public review at the District administration offices at least twenty (20) days prior to adoption of the final budget. Final budget action cannot take place on the proposed budget until after a minimum of ten (10) days' public notice. The Board shall adopt the budget and the necessary appropriation measures required to put it into effect by a majority (two-thirds) vote of all members of the Board.

For the fiscal year ended June 30, 2020, the District passed an appropriated final budget with revenues totaling \$13,131,185 and expenditures totaling \$13,431,185, resulting in a budgeted deficit of \$300,000.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. All encumbrances lapse at fiscal year end.

F. CASH AND CASH EQUIVALENTS

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

G. INTERFUND BALANCES AND TRANSFERS

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from / to other funds". These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to / from other funds which are not presented in the statement of net position. Transfers represent an exchange of funds that are not expected to be repaid.

H. INVENTORIES

Inventories held by the food service fund consist primarily of food items donated by the U.S. Department of Agriculture and are carried at market value. Inventory in the general fund is not significant in amount and is therefore not included in the financial statements.

I. CAPITAL ASSETS

General capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

The District's capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) consists of assets having an original cost of at least \$4,000. All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Land Improvements	15-20 years
Buildings and Building Improvements	20-60 years
Furniture and Equipment	5-20 years
Vehicles	8 years

J. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums / discounts are amortized over the life of the bonds in a systematic and rational method, which approximates the effective-interest rate method. For current and advance refunding of debt resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and is amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds, in a systematic and rational method, which approximates the effective-interest rate method.

K. COMPENSATED ABSENCES

The District permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for these benefits is accrued in the government-wide statement of net position if they have matured (i.e. unused reimbursable leave). A liability for these amounts is reported in the governmental funds for employees who have resigned or retired as of June 30, 2020.

The District's leave policy is as follows:

Vacation and Personal Leave – District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary depending on length of service or job classification. District employees who are required to work on a ten-month schedule do not receive paid vacation. In addition, almost all District employees are entitled to three days of personal leave annually. Personal leave may be used or accumulated up to a maximum of five days with any excess converted to sick leave.

Sick Leave – District employees who are required to work on a twelve-month schedule are credited with 12 days of sick leave annually with no limitation on accumulation. District employees who work on a ten-month schedule are credited with 10 days of sick leave annually with no limitation on accumulation. Upon retirement or termination, District employees have the option to either be paid at varying rates of up to \$45 per day, subject to a ceiling of either \$75,000 or \$6,000, depending on job classification, or for every 35 days of unused sick leave, convert to one-year of health insurance up to a maximum of five years (see Note 9) with the balance of unused sick leave compensated at varying rates of up to \$45 per day.

L. FUND EQUITY / NET POSITION

FUND EQUITY

In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report non-spendable, restricted, committed, assigned, and unassigned fund balance amounts.

Non-spendable Fund Balance – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted Fund Balance – The restricted fund balance classification includes amounts when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of a resolution of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by resolution. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Assigned Fund Balance – The assigned fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. Currently, only the School Board can assign fund balance. If the School Board delegates the authority, it can only be done through a resolution and may be delegated to (a) a budget committee, (b) finance committee, or (c) a specific District official.

Unassigned Fund Balance – The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

NET POSITION

In accordance with GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, in the government-wide financial statements, net position is classified and displayed in three components:

Invested in Capital Assets, Net of Related Debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position – Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Following is a summary of recently issued GASB pronouncements which will be adopted by the District in future years:

GASB Statement No.	Title	Required Implementation Date <i>(period beginning after)</i>	District Fiscal Year
84	Fiduciary Activities	December 15, 2019	2021
87	Leases	June 15, 2021	2022
89	Accounting for Interest Cost Incurred before the End of a Construction Period	December 15, 2020	2022
90	Majority Equity Interests - An amendment of Statements No. 14 and 61	December 15, 2019	2021
91	Conduit Debt Obligations	December 15, 2021	2023
92	Omnibus 2020	June 15, 2021	2022
93	Replacement of Interbank Offered Rates	June 15, 2021	2022
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	June 15, 2022	2023
96	Subscription-Based Information Technology Arrangements	June 15, 2022	2023
97	Certain Component Unit Criteria, and Account and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	June 15, 2021	2022

Management is currently evaluating the impact of the adoption of these pronouncements on the District's financial statements.

2. CASH AND CASH EQUIVALENTS

The deposits of the District are potentially subject to the following risks:

Interest Rate Risk – Interest rate risk is the risk that a security's market value will change due to changes in general interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Credit Risk – Credit risk includes failures to perform, as agreed, on the part of the issuer of the security, or on the part of the financial institution holding the deposit, or on the part of the custodial agent for the security itself, or supporting collateral. The District does not have a formal investment policy that would limit its investment and deposit choices to certain credit ratings.

Concentration of Credit Risk – The District places no limit on the amount it may invest in any one financial institution.

Investments permitted by the District are the same as those defined in Section 440.1 of the Public School Code of 1949, as amended, which are collateralized in accordance with applicable laws.

The District’s cash and equivalents are all maintained at one local bank primarily in the form of demand deposits.

At June 30, 2020, the District has \$2,867,000 in uninsured cash bank balances that are collateralized by securities held by the pledging institution, but not in the District’s name.

3. TAXES

The District levies real estate taxes based on a valuation provided by Columbia County. The schedule for property taxes levied for the fiscal year ended June 30, 2020 was as follows:

July 1, 2019	Original levy date
July 1, - August 31, 2019	2% discount period
September 1, - October 31, 2019	Face period
November 1, - December 31, 2019	10% penalty period
January 1, 2020	Lien date

The District tax rate for all purposes in 2019-2020 was 56.49 mills (\$56.49 per \$1,000 assessed valuation). Collections on the 2019-2020 levy for the fiscal year ended June 30, 2020 amounted to \$4,638,296 or approximately 92% of the face value of the total assessment.

Taxes receivable represents amounts due the District as of June 30, 2020 for delinquent real estate, earned income, and real estate transfer taxes recorded at their penalty amounts. At June 30, 2020, the District considers all taxes to be fully collectible and accordingly, no allowance for uncollectible accounts was deemed necessary. At June 30, 2020, the District’s taxes receivable consists of the following:

Real estate	\$ 498,637
Earned income	241,374
Real estate transfer	<u>5,515</u>
Total	<u><u>\$ 745,526</u></u>

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental Activities:</i>				
Non-Depreciable Assets:				
Land	\$ 323,553	\$ -	\$ -	\$ 323,553
Capital assets being depreciated:				
Land improvements	351,962	-	-	351,962
Buildings & improvements	19,262,092	9,700	-	19,271,792
Furniture & equipment	6,760,697	67,709	1,344	6,827,062
Vehicles	80,095	-	-	80,095
Total depreciable assets	26,454,846	77,409	1,344	26,530,911
Less accumulated depreciation for:				
Land improvements	257,389	6,142	-	263,531
Buildings & improvements	9,595,829	425,385	-	10,021,214
Furniture & equipment	4,528,011	182,986	1,344	4,709,653
Vehicles	80,095	-	-	80,095
Total accumulated depreciation	14,461,324	614,513	1,344	15,074,493
Construction in Process	-	433,081		433,081
Governmental Activities, capital assets, net	<u>\$ 12,317,075</u>	<u>\$ (104,023)</u>	<u>\$ -</u>	<u>\$ 12,213,052</u>
<i>Business-type Activities:</i>				
Capital assets being depreciated:				
Furniture & equipment	\$ 324,645	\$ -	\$ -	\$ 324,645
Less accumulated depreciation for:				
Furniture & equipment	304,369	658	-	305,027
Business-type Activities, capital assets, net	<u>\$ 20,276</u>	<u>\$ (658)</u>	<u>\$ -</u>	<u>\$ 19,618</u>

5. BENEFICIAL INTEREST IN ASSETS HELD AT CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

During 2018, the District transferred funds to the Central Susquehanna Community Foundation (the "Foundation"). The Foundation maintains and administers these funds solely for the benefit of the District; however, the Foundation has been granted variance power to modify any restriction on these funds. The Foundation is required to distribute annually all or part of the income earned on these funds based upon a spending policy as approved by the Foundation's board of directors.

The cumulative amount recognized in the statement of net position as beneficial interest in assets held by the Foundation totaled \$18,633 at June 30, 2020 as valued by the Foundation.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<i>Governmental Activities:</i>					
Notes payable	\$ 3,216,512	\$ -	\$ (3,216,512)	\$ -	\$ -
Bonds payable	5,650,000	9,048,000	(5,713,000)	8,985,000	742,000
CMAVTS Note	67,580	-	(67,580)	-	-
	8,934,092	9,048,000	(8,997,092)	8,985,000	<u>\$ 742,000</u>
Bond premium	79,445	-	(79,445)	-	
Total Governmental Activities Long- Term Debt	<u>\$ 9,013,537</u>	<u>\$ 9,048,000</u>	<u>\$ (9,076,537)</u>	<u>\$ 8,985,000</u>	

A summary of individual note and bond terms at June 30, 2020 are as follows:

Description	Issue Date	Issue Amount	Remaining Interest Rates	Final Maturity	Amount Outstanding at June 30, 2020
Bonds Payable:					
Series 2020	05/05/20	4,048,000	2.36% to 4.50%	06/15/31	\$ 4,015,000
Series A of 2020	05/05/20	5,000,000	2.36% to 4.50%	06/15/31	<u>4,970,000</u>
Total long-term debt					<u>\$ 8,985,000</u>

Under the terms of the Joint Operating Agreement between Benton Area, Berwick Area, Bloomsburg Area, Central Columbia, Danville Area, Millville Area and Southern Columbia Area School Districts to operate the Columbia Montour Area Vocational Technical School ("CMAVTS"), the District is obligated to pay a portion of the CMAVTS 2015 Lease Revenue Note which was issued to refund prior debt issues that originally funded renovations at the CMAVTS. The portion of the annual debt service requirement that the District is obligated to pay each year varies based on changes in the relative market values of aggregate taxable real estate in the District when compared to all other participating districts. During fiscal year ended June 30, 2020, the District terminated their inclusion in the Joint Operating Agreement. As part of the District's termination of inclusion, the remaining allocated portion of CMAVTS 2015 Lease Revenue Note was paid in full during the fiscal year ended June 30, 2020.

The District receives financial assistance from PDE with respect to long-term debt issued by the District. This assistance is in the form of a reimbursement for principal and interest payments made on these bonds based on the "reimbursable percentage" assigned to the District's debt issues. For the fiscal year ended June 30, 2020, the District received \$714,436 under this program. Future reimbursements are subject to changes in the applicable statutory provisions and appropriations by the Pennsylvania General Assembly.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2020 are as follows:

Fiscal Years Ending June 30,	Governmental Activities		Total
	Principal	Interest	
2021	\$ 742,000	\$ 212,046	\$ 954,046
2022	759,000	194,535	953,535
2023	776,000	176,622	952,622
2024	794,000	158,309	952,309
2025	812,000	139,570	951,570
2026 - 2030	4,190,000	573,262	4,763,262
2031 - 2033	912,000	41,040	953,040
Total	<u>\$ 8,985,000</u>	<u>\$ 1,495,384</u>	<u>\$ 10,480,384</u>

All payments on long-term debt are made by the general fund.

7. PENSION

General information about the pension plan

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

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 PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. Benefits are generally equal to 2.00% or 2.50%, 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.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, 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.

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 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,933,655 for the year ended June 30, 2020.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2020, the District reported a liability of \$18,105,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0387 percent, which was an increase of 0.0010 percent from its proportion measured as of June 30, 2019.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2020, the District recognized pension expense of \$2,275,264. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 100,000	\$ 600,000
Changes in assumptions	173,000	-
Net difference between projected and actual investment earnings	-	52,000
Changes in proportions	913,000	-
Difference between employer contributions and proportionate share of total contributions	-	325,093
Contributions subsequent to the measurement date	<u>1,933,655</u>	<u>-</u>
	<u>\$ 3,119,655</u>	<u>\$ 977,093</u>

\$1,933,655 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the Plan's year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized by the District in pension expense as follows:

Year ending June 30:	
2021	\$ 546,264
2022	(135,735)
2023	(149,048)
2024	<u>(52,574)</u>
Total	<u>\$ 208,907</u>

Actuarial assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 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% of 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.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	<u>100%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

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.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net 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:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 22,552,000	\$ 18,105,000	\$ 14,340,000

Pension plan fiduciary net position

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

8. ACCRUED COMPENSATED ABSENCES

Following is a summary of changes in the District's liability for accrued compensated absences for the year ended June 30, 2020:

Beginning balance	\$ 55,317
Additions	79,600
Reductions	<u>(71,620)</u>
Ending balance	<u>\$ 63,297</u>

9. OTHER POSTEMPLOYMENT BENEFITS

The District participates in two separate defined benefit other postemployment benefit ("OPEB") programs: (1) a cost sharing, multiple-employer health insurance Premium Assistance Program ("PAP OPEB Plan") administered through PSERS and, (2) a District-funded single-employer defined benefit OPEB Program ("District Funded OPEB Plan").

Health Insurance Premium Assistance Program

General information about the health insurance premium assistance program

Similar to the pension plan, the District contributes to PSERS' Premium Assistance Program, which is a governmental cost sharing, multiple-employer OPEB Plan 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 ("HOP"). As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

For the purposes of measuring the net PAP OPEB liability, deferred outflows of resources and deferred inflows of resources related to PAP OPEB, and PAP OPEB expense, information about the fiduciary net position of 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.

Premium Assistance eligibility criteria

Retirees of the District can participate in the PAP 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.

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' HOP. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as the 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 PAP OPEB Plan from the District were \$48,558 for the year ended June 30, 2020.

PAP OPEB liabilities, PAP OPEB expense and deferred outflows of resources and deferred inflows of resources related to PAP OPEB

At June 30, 2020, the District reported a liability of \$823,000 for its proportionate share of the net PAP OPEB liability. The net PAP OPEB liability was measured as of June 30, 2019, and the total PAP OPEB liability used to calculate the net PAP OPEB liability was determined by rolling forward PSERS' total PAP OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net PAP OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0387 percent, which was an increase of 0.0010 percent from its proportion measured as of June 30, 2019.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2020, the District recognized negative PAP OPEB expense of \$13,202. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PAP OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,000	\$ -
Changes in assumptions	27,000	24,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportions	36,000	-
Contributions subsequent to the measurement date	<u>48,558</u>	<u>-</u>
	<u>\$ 117,558</u>	<u>\$ 24,000</u>

\$48,558 reported as deferred outflows of resources related to PAP OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net PAP OPEB liability in the Plan's year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PAP OPEB will be recognized in PAP OPEB expense as follows:

Year ending June 30:

2021	\$ 7,000
2022	7,000
2023	7,000
2024	6,000
2025	12,000
Thereafter	<u>6,000</u>
Total	<u>\$ 45,000</u>

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions

The Total PAP OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total PAP OPEB Liability as of June 30, 2018 to June 30, 2019 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 50.00%
 - Eligible retirees will elect to participate Post age 65 at 70.00%

The actuarial assumptions used in the June 30, 2017 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, 2016 determined the employer contribution rate for fiscal year 2019.
- 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: 63.00% 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 25.00% males and 75.00% 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 PAP OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.20%	0.20%
US Core Fixed income	83.10%	1.00%
Non-US Core Fixed income	3.70%	0.00%
	<u>100.00%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount rate

The discount rate used to measure the total PAP OPEB Liability was 2.79%. Under the PAP OPEB 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 PAP 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 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total PAP OPEB liability.

Sensitivity of the System net PAP OPEB liability to change in healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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 PAP OPEB liability for June 30, 2019, calculated using current healthcare cost trends as well as what the System net PAP OPEB liability would be if healthcare cost trends were 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net PAP OPEB liability	\$ 823,000	\$ 823,000	\$ 823,000

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Sensitivity of the District's proportionate share of the net PAP OPEB liability to changes in the discount rate

The following presents the net PAP OPEB liability, calculated using the discount rate of 2.79%, as well as what the net PAP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net PAP OPEB liability	\$ 938,000	\$ 823,000	\$ 728,000

PAP 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.

District Funded OPEB Plan

General information about the District Funded OPEB Plan

The District provides other postemployment benefits for certain eligible employees for current and future medical, prescription drug, dental, and vision benefit expenses through a single-employer defined benefit OPEB plan. Employees are eligible if they meet the Act 110/43 requirements or have 15 years of service with the District. Coverage under the district-subsidized benefit continues for a maximum of five years or until the member obtains Medicare eligibility, whichever comes first. Otherwise, coverage continues until the earlier of member Medicare eligibility or member death. Spouse coverage ceases upon Medicare eligibility, if earlier. If member completes 15 or more years of service with the District, the District will pay the full premium less \$100 monthly PSERS supplemental cost for medical and prescription drug for single or family coverage for one year for every 35 days of converted unused sick leave, up to a maximum of five years.

Member must pay the full premium for dental and vision. After the district-subsidized benefits are exhausted or if member does not complete 15 or more years of service with the District, but does reach Act 110/43 eligibility (retirement with 30 years of PSERS service or upon superannuation retirement, as defined), member may continue coverage by paying the full cost of coverage. Retirees have different contribution amounts for different durations based on contracts in place at the time of retirement. The District Funded OPEB Plan does not issue stand-alone financial reports. The contribution requirements of plan members and the District are established and may be amended by the District. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. The District contributes funds to the District Funded Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the District Funded Plan are paid by the District.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Active participants	100
Vested former participants	-
Retired participants	4
	<hr/>
Total	104
	<hr/> <hr/>

Total District Funded OPEB liability

The District's total District Funded OPEB liability of \$3,107,902 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial assumptions and other inputs

The total District Funded OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Inflation – 2.50%
- Salary increases – 3.50%, including inflation
- Discount rate – 3.36%, based on S&P Municipal Bond 20 year High Grade Index at July 1, 2019
- Healthcare cost trend rates – 6.00% in 2018, and 5.50% in 2019 through 2021. Rates gradually decrease from 5.40% in 2022 to 3.80% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retiree's share of benefit-related costs – Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.
- Mortality rates – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

The actuarial assumptions used in the July 1, 2019 valuation were based on census information as of July 2019.

Changes in the total District Funded OPEB liability

Balance at July 1, 2018	<u>\$ 2,987,957</u>
Changes for the year:	
Service cost	265,790
Interest	95,767
Difference between expected and actual experience	(44,733)
Changes in assumptions	(89,737)
Benefit payments	<u>(107,142)</u>
Net changes	<u>119,945</u>
Balance at July 1, 2019	<u><u>\$ 3,107,902</u></u>

Changes in assumptions reflect a change in the discount rate from 2.98% to 3.36%.

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

Sensitivity of the District's total District Funded OPEB liability to changes in healthcare cost trend rates

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total District Funded OPEB Liability	\$ 2,754,827	\$ 3,107,902	\$ 3,598,302

Sensitivity of the District's total District Funded OPEB liability to changes in the discount rate

The following presents the total District Funded OPEB liability of the District, calculated using the discount rate of 3.36%, as well as what the total District Funded OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.36%) or 1-percentage-point higher (4.36%) than the current rate:

	<u>1% Decrease 2.36%</u>	<u>Current Discount Rate 3.36%</u>	<u>1% Increase 4.36%</u>
Total District Funded OPEB Liability	\$ 3,380,378	\$ 3,107,902	\$ 2,912,717

District Funded OPEB expense and deferred outflows of resources and deferred inflows of resources related to District Funded OPEB

For the year ended June 30, 2020, the District recognized District Funded OPEB expense of \$310,847. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to District Funded OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 233,008	\$ 85,617
Difference between expected and actual experience	145,018	41,751
Benefit payments subsequent to the measurement date	73,105	-
	<u>\$ 451,131</u>	<u>\$ 127,368</u>

BENTON AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS

\$73,105 reported as deferred outflows of resources related to District Funded OPEB resulting from benefit payments subsequent to the measurement date will be recognized as a reduction of the total District Funded OPEB liability in the Plan's year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to District Funded OPEB will be recognized in District Funded OPEB expense as follows:

Year ending June 30:	
2021	\$ 22,395
2022	22,395
2023	22,395
2024	22,395
2025	22,395
Thereafter	<u>138,683</u>
Total	<u>\$ 250,658</u>

10. CONTINGENCIES

The District is a party to various legal proceedings that occur from time to time in the normal course of its operations. The financial statements do not include any accrual or provisions for loss contingencies that may result from these proceedings as the District believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

The District is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Public entity risk pools consist of groups of governmental entities joining together to finance an exposure, liability, or risk. Such risk pools may involve a transfer or pooling of the risk among the participating members or it may involve retention of a portion or all of the risk by the individual members incurring the losses. Such pools may also involve the transfer of a portion or all of the risk of loss to another entity outside the pool by purchase of insurance. The District is a member of The Central Susquehanna Region Employee's Health and Welfare Trust, (the "Trust"), which provides group health benefits to certain current and former employees of the District. The District participates in the following programs of the Trust:

Health Benefits – The Trust provides health benefits to members under a pooling of risk concept. Required contributions by members are determined on an annual basis by the Trust. During the year ended June 30, 2020 the District made its required contribution for health benefits provided under this plan. No additional contributions are required of the District for the 2019-2020 fiscal year.

BENTON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Under the terms of membership in the Trust, should the District decide to withdraw from the Trust, it would be required to pay any deficit generated by its claims experience, as calculated by the Trust at the time of notification of the intent to withdraw. Any deficit repayment would be based upon a formula calculation by the Trust relative to the District's most recent three to five year policy participation period; no payment would be made to the District upon separation from the Trust relative to favorable claims experience over the period.

Dental and Vision Benefits – The District participates in the dental and vision programs operated by the Trust which are operated on a retention of risk by individual members basis. During the year ended June 30, 2020, the District made its required contribution for dental and vision benefits provided under this plan. No additional contributions are required of the District for the 2018-19 fiscal year.

11. GOVERNMENTAL FUND BALANCES

Governmental fund balances consist of the following at June 30, 2020:

	GENERAL FUND	CAPITAL RESERVE FUND	PERMANENT FUNDS	TOTAL
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Scholarships	-	-	55,813	55,813
Committed to:				
Future retirement funding	260,000	-	-	260,000
Special education	100,000	-	-	100,000
Assigned to:				
Future retirement funding	285,000	-	-	285,000
Future healthcare funding	75,000	-	-	75,000
Special education	75,000	-	-	75,000
Future capital outlays	-	38,527	-	38,527
Unassigned	1,077,872	-	-	1,077,872
Total	<u>\$ 1,872,872</u>	<u>\$ 38,527</u>	<u>\$ 55,813</u>	<u>\$ 1,967,212</u>

REQUIRED SUPPLEMENTARY INFORMATION

BENTON AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local sources	\$ 6,917,165	\$ 6,917,165	\$ 6,615,189	\$ (301,976)
State sources	5,858,682	5,858,682	6,933,632	1,074,950
Federal sources	<u>355,338</u>	<u>355,338</u>	<u>223,871</u>	<u>(131,467)</u>
Total revenues	<u>13,131,185</u>	<u>13,131,185</u>	<u>13,772,692</u>	<u>641,507</u>
EXPENDITURES				
Instruction:				
Regular programs	5,129,269	5,129,269	5,222,491	(93,222)
Special education programs	1,298,951	1,298,951	1,376,787	(77,836)
Vocational education programs	902,904	902,904	879,558	23,346
Other instructional programs	175,532	175,532	170,555	4,977
Support services:				
Pupil personnel services	538,320	538,320	537,313	1,007
Instructional staff services	666,156	666,156	695,998	(29,842)
Administrative services	883,368	883,368	842,110	41,258
Pupil health services	130,426	130,426	156,545	(26,119)
Business services	335,263	335,263	415,865	(80,602)
Operation & maintenance of plant services	1,078,134	1,078,134	1,388,986	(310,852)
Student transportation services	503,500	503,500	731,421	(227,921)
Central & other support services	530,020	530,020	502,253	27,767
Non-instructional services:				
Student activities	296,130	296,130	269,932	26,198
Community services	4,000	4,000	2,726	1,274
Debt service (principal and interest)	<u>959,212</u>	<u>959,212</u>	<u>1,038,023</u>	<u>(78,811)</u>
Total expenditures	<u>13,431,185</u>	<u>13,431,185</u>	<u>14,230,563</u>	<u>(799,378)</u>
Excess of expenditures over revenues	(300,000)	(300,000)	(457,871)	(157,871)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	9,048,000	9,048,000
Debt service - refunded debt	<u>-</u>	<u>-</u>	<u>(8,183,000)</u>	<u>(8,183,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>865,000</u>	<u>865,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	407,129	<u>\$ 707,129</u>
FUND BALANCE, JUNE 30, 2019			<u>1,465,743</u>	
FUND BALANCE, JUNE 30, 2020			<u>\$ 1,872,872</u>	

See Notes to Required Supplementary Information.

BENTON AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
LAST SEVEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0387%	0.0377%	0.0365%	0.0365%	0.0333%	0.0346%	0.0357%
District's proportionate share of the net pension liability	\$ 18,105,000	\$ 18,098,000	\$ 18,027,000	\$ 18,088,000	\$ 14,424,000	\$ 13,695,000	\$ 14,614,000
District's covered payroll	\$ 5,342,188	\$ 5,071,629	\$ 4,858,980	\$ 4,725,610	\$ 4,288,117	\$ 4,418,173	\$ 4,577,080
District's proportionate share of the net pension liability as a percentage of its covered payroll	338.91%	356.85%	371.00%	382.77%	336.37%	309.97%	319.29%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

This schedule will be expanded to present a ten-year trend as historical information becomes available.

See Notes to Required Supplementary Information.

BENTON AREA SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN
LAST SEVEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,741,553	\$ 1,609,735	\$ 1,418,822	\$ 1,221,098	\$ 917,657	\$ 1,494,482	\$ 1,271,492
Contributions in relation to the contractually required contribution	<u>(1,741,553)</u>	<u>(1,609,735)</u>	<u>(1,418,822)</u>	<u>(1,221,098)</u>	<u>(917,657)</u>	<u>(1,494,482)</u>	<u>(1,271,492)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,342,188	\$ 5,071,629	\$ 4,858,980	\$ 4,725,610	\$ 4,288,117	\$ 4,418,173	\$ 4,577,080
Contributions as a percentage of covered payroll	32.60%	31.74%	29.20%	25.84%	21.40%	33.83%	27.78%

This schedule will be expanded to present a ten-year trend as historical information becomes available.

See Notes to Required Supplementary Information.

BENTON AREA SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PREMIUM ASSISTANCE PROGRAM OPEB LIABILITY
LAST FOUR FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net PAP OPEB liability	0.0387%	0.0377%	0.0365%	0.0365%
District's proportionate share of the net PAP OPEB liability	\$ 823,000	\$ 786,000	\$ 744,000	\$ 786,000
District's covered payroll	\$ 5,342,188	\$ 5,071,629	\$ 4,858,980	\$ 4,725,610
District's proportionate share of the net PAP OPEB liability as a percentage of its covered payroll	15.41%	15.50%	15.31%	16.63%
Plan fiduciary net position as a percentage of the Total PAP OPEB liability	5.56%	5.56%	5.73%	5.47%

This schedule will be expanded to present a ten-year trend as historical information becomes available.

See Notes to Required Supplementary Information.

BENTON AREA SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS -
PREMIUM ASSISTANCE PROGRAM OPEB PLAN
LAST FOUR FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 44,340	\$ 42,095	\$ 40,330	\$ 39,223
Contributions in relation to the contractually required contribution	<u>(44,340)</u>	<u>(42,095)</u>	<u>(40,330)</u>	<u>(39,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,342,188	\$ 5,071,629	\$ 4,858,980	\$ 4,725,610
Contributions as a percentage of covered payroll	0.83%	0.83%	0.83%	0.83%

This schedule will be expanded to present a ten-year trend as historical information becomes available.

See Notes to Required Supplementary Information.

BENTON AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
DISTRICT FUNDED OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total District Funded OPEB Liability			
Service Cost	\$ 265,790	\$ 233,180	\$ 143,153
Interest	95,767	92,307	49,658
Changes in Benefit Terms	-	-	290,649
Difference between Expected and Actual Experience	(44,733)	-	181,273
Changes in Assumptions	(89,737)	(2,148)	291,259
Benefit Payments	<u>(74,008)</u>	<u>(89,964)</u>	<u>(114,991)</u>
Net Changes	153,079	233,375	841,001
Total District Funded OPEB Liability - Beginning	<u>2,987,957</u>	<u>2,754,582</u>	<u>1,913,581</u>
Total District Funded OPEB Liability - Ending	<u><u>\$ 3,141,036</u></u>	<u><u>\$ 2,987,957</u></u>	<u><u>\$ 2,754,582</u></u>
Covered-Employee Payroll	\$ 5,159,778	\$ 4,505,893	\$ 4,505,893
Total District Funded OPEB Liability as a % of Covered-Employee Payroll	60.88%	66.31%	61.13%

This schedule will be expanded to present a ten-year trend as historical information becomes available.

See Notes to Required Supplementary Information.

BENTON AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY COMPARISON SCHEDULE

The Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual – General Fund was prepared on the modified accrual basis of accounting.

2. NET PENSION LIABILITY

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

Changes in actuarial assumptions

There were no changes in actuarial assumptions in determining the most recent net pension liability.

Changes in benefit terms

There were no changes in benefit terms in determining the most recent net pension liability.

3. NET PREMIUM ASSISTANCE PROGRAM OPEB LIABILITY

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

Changes in actuarial assumptions

The discount rate used to measure the Total Premium Assistance Program OPEB Liability decreased from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

Changes in benefit terms

There were no changes in benefit terms in determining the most recent Net Premium Assistance Program OPEB liability.

4. DISTRICT-FUNDED OPEB LIABILITY

The actuarial assumptions used in the July 1, 2019 valuation were based on census information as of July 2019. Due to the timing of the school district turnover, the data is believed to be representative of the population for the 2019-20 school year.

BENTON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial assumptions used in determining the Total District-Funded OPEB Liability

The total District Funded OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Inflation – 2.50%
- Salary increases – 3.50%, including inflation
- Discount rate – 3.36%, based on S&P Municipal Bond 20 year High Grade Index at July 1, 2019
- Healthcare cost trend rates – 6.00% in 2018, and 5.50% in 2019 through 2021. Rates gradually decrease from 5.40% in 2022 to 3.80% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retiree's share of benefit-related costs – Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.
- Mortality rates – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Changes in actuarial assumptions

The discount rate used to measure the Total District-Funded OPEB Liability increased from 2.98% as of July 1, 2018 to 3.36% as of July 1, 2019.

Changes in benefit terms

There were no changes in benefit terms in determining the most recent District-Funded OPEB liability.