

SUGAR VALLEY RURAL CHARTER SCHOOL

Audited Financial Statements

June 30, 2020

SUGAR VALLEY RURAL CHARTER SCHOOL
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SUGAR VALLEY RURAL CHARTER SCHOOL

List of Report Distribution

June 30, 2020

Keystone Central School District
Lock Haven, PA

Pennsylvania Department of Education
Bureau of Budget and Fiscal Management
333 Market Street Fourth Floor
Harrisburg, Pennsylvania 17126



MARGARET MCCLUSKEY CPA LLC

INDEPENDENT AUDITORS' REPORT

Board of Trustees
SUGAR VALLEY RURAL CHARTER SCHOOL
Loganton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of

Sugar Valley Rural Charter School

as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School'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.

Auditors' Responsibility

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

Opinion

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 Sugar Valley Rural Charter School 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.

INDEPENDENT AUDITORS' REPORT (continued)

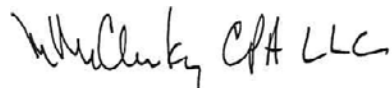
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 12), budgetary information, supplementary pension information, other postemployment benefits information and related notes (pages 43 through 49) 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 and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Mifflinburg, Pennsylvania
December 18, 2020

MANAGEMENT'S DISCUSSION
AND ANALYSIS
(Required Supplemental Information)

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2020

This section of the Sugar Valley Rural Charter School's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Discussion Board's (GASB) Statement No. 34- *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2019-2020) and the prior year (2018-2019) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 fiscal year include the following:

- Net position was (\$1,491,129) (deficit) on June 30, 2019, and (\$1,556,123) (deficit) on June 30, 2020. The net position includes accounting changes to reflect PSERS deficits at the state level in the school district's financial statement. The decrease in net position reflects \$65,094 less revenue than expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
 - School-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Budget and Actual Comparison
- Information related to Pension Benefit Obligations
- Information related to Other Post Employment Benefit Obligations

The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *school-wide financial statements* that provide both short-term and long-term information about the Schools overall financial status.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2020

- The remaining statements are *fund financial statements* that focus on individual parts of the school, reporting the school's operations in more detail than the school-wide statements.
 - The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - *Proprietary funds* statements offer short-and long-term financial information about the activities the school operates *like businesses*.
 - *Fiduciary funds* statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

Following is a description of the School-wide financial statements and the fund financial statements ---

School-wide Statements

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

The two school-wide statements report the School's net position and how they have changed. Net position represents the difference between the School's assets and liabilities. Consideration of net position is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the School you also need to consider additional non-financial factors such as changes in the tuition rate received from Home School district of students and the condition of school buildings and other facilities.

In the school wide financial statements the School's activities are shown in two categories:

- *Governmental activities*-Most of the School's basic services are included here, such as regular and special education, transportation, administration, and community education. The tuition received from Home School district of students and state aids finance most of these activities.
- *Business Type activities*-The school's cafeteria is a business type activity.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2020

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds - focusing on its most significant or "major" funds - not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

The School has three kinds of funds:

- *Governmental funds*- Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short- term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at Exhibits D and F that explains the relationship (or differences) between the School-wide statements and the governmental funds statements.
- *Proprietary funds* – Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the School-wide statements.

The school uses enterprise funds to report activities that provide supplies and services for the schools other programs and activities. The school currently has one enterprise fund for the cafeteria.

Enterprise funds are established in the School to account for goods and services provided to the student body and staff. The food service fund is the primary enterprise fund of the school. The prices charged by the cafeteria may not materially exceed its expenditures. Any funds remaining from operations must be used only for the maintenance and improvement of the school's cafeteria facilities.

- *Fiduciary funds*- The School is the trustee, or fiduciary, for assets that belong to others, such as the various student activity groups. The School 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. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2020

school-wide financial statements because the School cannot use these assets to finance its operations.

Overview Summary

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain.

*Figure A-1
Major Features of the School-wide and Fund Financial Statements*

	<i>School Wide Statements</i>	<i>Fund Financial Statements</i>		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<i>Scope</i>	<i>Entire School (except fiduciary funds)</i>	<i>The activities of the school that are not Proprietary or Fiduciary, such as special education and building maintenance, food service, and community education</i>	<i>Activities the school that operate similar to private businesses: Enterprise Fund</i>	<i>Instances in which the school administers resources on behalf of someone else, such as student activities funds</i>
<i>Required financial statements</i>	<ul style="list-style-type: none"> • <i>Statement of net position</i> • <i>Statement of activities</i> 	<ul style="list-style-type: none"> • <i>Balance Sheet</i> • <i>Statement of revenue, expenditures and changes in fund balances</i> 	<ul style="list-style-type: none"> • <i>Statement of net position</i> • <i>Statement of revenue, expenses, and changes in fund net position</i> • <i>Statement of cash flows</i> 	<ul style="list-style-type: none"> • <i>Statement of Fiduciary net position</i> • <i>Statement of changes in fiduciary net position</i>
<i>Accounting Basis and Measurement focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Modified accrual accounting and current financial focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Accrual accounting and economic resources focus</i>
<i>Type of asset/liability information</i>	<i>All assets and liabilities, both financial and capital, short-term and long-term</i>	<i>Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets of long-term liabilities included</i>	<i>All assets and liabilities, both financial and capital, and short-term and long-term</i>	<i>All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can</i>
<i>Type of inflow/outflow information</i>	<i>All revenues and expenses during the year, regardless of when the cash is received or paid</i>	<i>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.</i>	<i>All revenues and expenses during the year, regardless of when cash is received or paid.</i>	<i>All additional and dedications during the year, regardless of when cash is received or paid.</i>

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net position. The School’s combined net position was (\$1,556,123) on June 30, 2020. (See Table A-2.)

*Table A-2
Sugar Valley Rural Charter School
Net position
As of June 30, 2019 and 2020*

	2019	2020
<i>Current Assets</i>	7,198,498	7,924,404
<i>Capital Assets</i>	1,939,911	2,334,946
<i>Total Assets</i>	9,138,409	10,259,350
<i>Deferred Outflows of Resources</i>	3,253,853	2,994,214
<i>Current Liabilities</i>	475,140	625,196
<i>Accrued Salaries and Benefits</i>	466,232	489,136
<i>Net Pension Liability</i>	11,569,000	11,930,000
<i>Other Post Employment Liabilities</i>	1,147,273	1,264,248
<i>Long-term Debt</i>	0	0
<i>Total Liabilities</i>	13,657,645	14,308,580
<i>Deferred Inflows of Resources</i>	225,646	501,107
<i>Invested in Capital Assets Net of Related Debt</i>	1,939,911	2,334,946
<i>Unrestricted (deficit)</i>	(3,430,940)	(3,891,069)
<i>Total Net position</i> (deficit).....	(1,491,029)	(1,556,123)

The Sugar Valley Rural Charter School continues to exhibit a healthy financial picture due to stable enrollment and careful planning and spending.

Changes in Net position. Total revenues were less than expenses, decreasing net position \$65,094 (See Table A-3).

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2020

Table A-3
Sugar Valley Rural Charter School
Change in Net position
For the year ended June 30, 2019 and 2020

	2019	2020
Revenues		
Instruction/Support Services.....	9,037,973	8,962,172
Food Service	302,971	230,828
Investment Earnings.....	67,797	147,999
Misc. Income.....	21,324	5,981
Other General Revenues.....	17	9,462
Gain/(loss) on sale of fixed assets.....	(337)	0
Total.....	9,429,745	9,356,442
Expenses		
Instruction.....	5,195,342	5,433,519
Instruction Student Support	1,156,075	501,670
Administrative and Financial Support Services	864,423	1,011,166
Operation and Maintenance of Plant Services	976,447	953,613
Pupil Transportation.....	89,513	68,956
Student Activities.....	142,521	142,598
Facilities Acquisition Services.....	8,510	23,307
Communities Services	79,135	62,216
Depreciation	184,340	214,346
Food Service	340,133	334,013
Health Services	0	248,082
Central Services	0	428,050
Total.....	9,036,439	9,421,536
Transfers		
From Governmental activities	(22,680)	(19,313)
Into Business type activities for support of food services	22,680	19,313
Net Transfers.....	0	0
Change in net position.....	393,306	(65,094)
Prior Period Adjustment.....	0	0
Ending of year net position.....	(1,491,029)	(1,556,123)

The School's total revenues were \$9,356,442 for the year ended June 30, 2020. Tuition from the student's home school district accounted for most of the revenue, the remainder came from federal and state programs and interest on investments.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2020

- The federal and state governments subsidized certain programs with grants and contributions. Federal contributions were \$548,033 and state contributions were \$84,567.
- We received \$8,647,164 from local sources (mostly tuition from the home school districts).

The total cost of all programs and services was \$9,421,536. The School's expenses are predominantly related to educating and caring for students.

- The cost of all governmental activities this year was \$9,087,523. The cost for business like activities was \$334,013.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

The financial performance of the School is also reflected in its governmental fund. As the School completed the year, its governmental fund reported a fund balance of \$6,720,941. The committed balance represents \$4,000,000 for Capital Acquisitions, \$284,357 for summer payroll and benefits, and \$1,000,000 for summer operating expenses. The remaining fund balance is assigned (up to \$1,650,000, as available) for future operating expenditures including, but not limited to, costs associated with the increasing costs of the PSERS retirement program. The SVRCS Board uncommitted the remaining funds for Summer Payroll and Summer Operating expenses on 11/17/20.

Sugar Valley Rural Charter School has established a fund balance for the purpose of unanticipated expenditures as well as large startup costs of a new school year, improvements based on student needs, for the raising of academic standards and the development of unique educational opportunities for the good of the greater SVRCS community. Funds may be allocated to such areas as curriculum, personnel costs and professional development, capital improvements, cyclical maintenance, and the enhancement of community participation at the SVRCS.

Revenues for the School's governmental fund were \$9,100,185 (\$9,126,475 in 2019) while total expenses were \$8,488,732 (\$8,781,644 in 2019). In the governmental funds, revenues that are measurable but not available within 60 days of year end, are recorded as deferred inflows.

Total governmental fund revenue decreased by \$26,290 from the previous year. Tuition is based on average money spent per student in the Home School District. There was an

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2020

increase in tuition rates in 2019-2020. We had a small decrease in number of students in 2019-2020 compared to 2018-2019

Total governmental fund expenditures decreased by \$ 292,912 from the previous year. Due to Covid-19 all spring sports transportation and end of the year field trips were cancelled.

In fiscal ending June 30, 2020 salaries increased a minimum of 2% of the base pay for staff retained from the previous year. The School continues to look at various cost containment measures to minimize the effect rising health insurance premiums have on the costs of the school's employee compensation packages.

General Fund Budgetary Highlights

As a charter school, we need to prepare our budget months before the sending school district is required to complete their updated tuition rates, therefore the best estimate of the tuition from the sending school district is to use the current year's information. Generally there is an increase in tuition rates from one school year to the next.

- Actual revenues were \$123,387 more than expected.
- The actual expenditures were \$332,805 less than budget.

Proprietary Fund

Proprietary funds are established in the School to account for goods and services provided to the student body and staff. The food service fund is the enterprise fund of the school. The prices charged by the cafeteria may not materially exceed its expenditures. In 2020, the food service fund expenses exceeded revenues by \$101,276. Due to Covid-19, income from school meals stopped and staff was still paid. This accounts for much of the increased deficit. A transfer from the general fund of \$19,313 provided support for the food service fund, At June 30, 2020 the food service fund had an accumulated deficit of (\$220,432) and net investment in fixed assets of \$55,277, for total Net Position deficit of (\$165,155).

CAPITAL ASSETS

By the end of 2019-2020 the School had invested \$3,054,640 in a broad range of capital assets, including computer and audio-visual equipment, site and building improvement, playground equipment, furniture and equipment for the students and staff. The school also had \$688,390 in assets not being depreciated (Land and Assets not yet placed in service) Total depreciation expense for the year was \$224,945. Accumulated Depreciation at June 30, 2020 was \$1,408,084.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2020

FACTORS BEARING ON THE SCHOOL'S FUTURE

Our future funding is dependent on student tuition from school districts and from grant awards. Our enrollment rate has remained stable over the last several years. If we see a decline due to covid-19, we will adjust our spending to reflect changes in revenues. We continue to investigate grant opportunities. We currently and will continue to operate within our budget. We are committed to providing a rewarding working environment for our employees while supplying our students with an effective learning experience.

The School has put into place enrollment caps by grade level and a lottery system for those grades that are at capacity. We currently have 8 grades at capacity with waiting lists, 4 grades with less than 3 openings, and 1 grade with more than 3 openings.

The School has begun a construction project to build a gymnasium. We expect it to be completed by Fall/Winter of 2021. This will enhance the school's ability to provide a fulfilling learning environment.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customer, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Business Office, Sugar Valley Rural Charter School, 236 East Main Street, Loganton, PA 17747.

BASIC
FINANCIAL
STATEMENTS

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT A

Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Elimination of Internal Balances	Total
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	6,378,194	40,679	-	6,418,873
Internal Balances	2,888	-	(2,888)	-
Due from Other Governments	1,334,502	-	-	1,334,502
State Revenue Receivable	3,123	-	-	3,123
Federal Revenue Receivable	131,960	-	-	131,960
Inventories	-	10,866	-	10,866
Other Current Assets	24,934	146	-	25,080
Total Current Assets	7,875,601	51,691	(2,888)	7,924,404
Noncurrent Assets:				
Assets Not Yet Placed in Service	408,033	-	-	408,033
Land	280,357	-	-	280,357
Buildings and Improvements (net of accumulated depreciation)	1,010,996	-	-	1,010,996
Site Improvements (net of accumulated depreciation)	29,569	-	-	29,569
Leasehold Improvements (net of accumulated depreciation)	234,596	-	-	234,596
Furniture and Equipment (net of accumulated depreciation)	266,291	55,277	-	321,568
Vehicles (net of accumulated depreciation)	49,827	-	-	49,827
Total Noncurrent Assets	2,279,669	55,277	-	2,334,946
Total Assets	10,155,270	106,968	(2,888)	10,259,350
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Related to Pension Benefits	2,712,332	67,836	-	2,780,168
Related to Other Post Employment Benefits	208,823	5,223	-	214,046
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,921,155	73,059	-	2,994,214
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	180,363	-	-	180,363
Accrued Salaries and Benefits	489,136	-	-	489,136
Payroll Withholding and Benefits	429,507	-	-	429,507
Internal Balances	-	2,888	(2,888)	-
Unearned Revenue	7,199	4,008	-	11,207
Other Current Liabilities	-	4,119	-	4,119
Total Current Liabilities	1,106,205	11,015	(2,888)	1,114,332
Noncurrent Liabilities:				
Net Pension Liability	11,638,908	291,092	-	11,930,000
Net Liability for Other Post Employment Benefits	1,233,400	30,848	-	1,264,248
Total Noncurrent Liabilities	12,872,308	321,940	-	13,194,248
Total Liabilities	13,978,513	332,955	(2,888)	14,308,580
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Related to Pension Benefits	419,508	10,492	-	430,000
Related to Other Post Employment Benefits	69,372	1,735	-	71,107
Total Deferred Inflows of Resources	488,880	12,227	-	501,107
<u>NET POSITION</u>				
Investment in Capital Assets, Net of Related Debt	2,279,669	55,277	-	2,334,946
Unrestricted deficit	(3,670,637)	(220,432)	-	(3,891,069)
Total Net Position	(1,390,968)	(165,155)	-	(1,556,123)

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT B

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Depreciation - Unallocated	214,346	-	-	-	(214,346)	-	(214,346)
Instruction	5,433,519	-	5,487,310	-	53,791	-	53,791
Support Services							
Student and Instructional Staff Support	501,670	-	506,810	-	5,140	-	5,140
Health Services	248,082	-	250,530	-	2,448	-	2,448
Administration and Business Services	1,011,166	-	1,022,011	-	10,845	-	10,845
Operation and Maintenance of Plant	953,613	-	963,297	-	9,684	-	9,684
Pupil Transportation (including interest of 955)	68,956	-	69,698	-	742	-	742
Central Services	428,050	-	432,494	-	4,444	-	4,444
Non-Instructional Services							
Student Activities	142,598	-	144,132	-	1,534	-	1,534
Communities Services	62,216	-	62,332	-	116	-	116
Facilities Acquisition Services	23,307	-	23,558	-	251	-	251
Total Governmental Activities	9,087,523	-	8,962,172	-	(125,351)	-	(125,351)
Business-Type Activities:							
Food Services	334,013	51,249	179,579	-	-	(103,185)	(103,185)
Total	9,421,536	51,249	9,141,751	-	(125,351)	(103,185)	(228,536)
General Revenues:							
Refunds of Prior Year Expenses					9,462	-	9,462
Investment Earnings					146,090	1,909	147,999
Miscellaneous Income/(Loss)					5,981	-	5,981
Transfers Between Governmental/Business-Type Activities					(19,313)	19,313	-
Total General Revenues					142,220	21,222	163,442
Change in Net Position					16,869	(81,963)	(65,094)
Net Position - Beginning					(1,407,837)	(83,192)	(1,491,029)
Net Position - Ending					(1,390,968)	(165,155)	(1,556,123)

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT C

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Total Governmental Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	6,378,194	6,378,194
Due from Other Funds	2,888	2,888
Due from Other Governments	1,334,502	1,334,502
State Revenue Receivable	3,123	3,123
Federal Revenue Receivable	131,960	131,960
Total Assets	<u>7,850,667</u>	<u>7,850,667</u>
<u>LIABILITIES</u>		
Accounts Payable	180,363	180,363
Unearned Revenues	7,199	7,199
Accrued Salaries and Benefits	489,136	489,136
Payroll Withholdings and Benefits	429,507	429,507
Total Liabilities	1,106,205	1,106,205
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Amounts Received After Period of Availability	23,521	23,521
<u>FUND BALANCES</u>		
Committed Fund Balance	5,284,357	5,284,357
Assigned Fund Balance	1,436,584	1,436,584
Unassigned Fund Balance	-	-
Total Fund Balances	<u>6,720,941</u>	<u>6,720,941</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>7,850,667</u>	<u>7,850,667</u>

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT D

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds	6,720,941
Prepayments of expenses are recognized as expenses in the governmental funds but are recognized as assets in the full accrual statement of net position	24,934
Amounts that are received after the period of availability (60 days) are not recognized as revenue in the governmental fund statements, but are recognized as revenue in the full accrual statement of net position	23,521
Net capital assets are not recorded in the governmental fund statements but are recorded in the full accrual statement of net position	2,279,669
Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental fund statements	
Long-term liabilities at year end consist of:	
Net Liability for Pension Benefits	(11,638,908)
Net Liability for Other Post Employment Benefits	(1,233,400)
Deferred Outflows of Resources are not recorded in the governmental fund statements	
Related to Pension Benefits	2,712,332
Related to Other Post Employment Benefits	208,823
Deferred Inflows of Resources are not recorded in the governmental fund statements	
Related to Pension Benefits	(419,508)
Related to Other Post Employment Benefits	(69,372)
Total Net Position - Governmental Activities	<u><u>(1,390,968)</u></u>

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT E

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	General	Total
	Fund	Governmental
	Funds	
<u>REVENUES</u>		
Local Sources	8,647,164	8,647,164
State Sources	75,772	75,772
Federal Sources	377,249	377,249
Total Revenues	9,100,185	9,100,185
<u>EXPENDITURES</u>		
Instruction	4,779,474	4,779,474
Support Services	3,085,941	3,085,941
Non-Instructional Services	197,386	197,386
Facilities Acquisition, Construction and Improvement	425,931	425,931
Total Expenditures	8,488,732	8,488,732
Excess of Revenue Over Expenditures	611,453	611,453
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund Transfers Out - to Food Service Fund	(19,313)	(19,313)
Total Other Financing (Uses)	(19,313)	(19,313)
Change in Fund Balance	592,140	592,140
Fund Balance - Beginning	6,128,801	6,128,801
Fund Balance - Ending	6,720,941	6,720,941

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT F

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2020**

Net Change In Fund Balances - Governmental Funds	592,140
Amounts that are expensed in the fund statements that represent prepayments are recorded on the full accrual basis in the statements of net position and activities. This reconciling item represents a decrease in prepaid expense, as compared to the prior year.	(5,927)
Amounts that are received after the period of availability (60 days) are not recognized as revenue in the governmental fund statements, but are recognized as revenue in the full accrual statement of net position. This is the amount by which such amounts increased, as compared to the prior year.	23,521
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, the costs of those assets are allocated over estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation and the net book value of assets disposed of during the year.	391,396
Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental fund statements. These reconciling items represent the increase in these accounts as compared to the prior year.	
Net Pension Liability	(352,192)
Net Liability for Other Post Employment Benefits	(112,037)
Deferred Outflows of Resources are not recorded in the governmental fund statements. These reconciling items represent the increase/(decrease) in these accounts as compared to the prior year.	
Related to Pension Benefits	(301,153)
Related to Other Post Employment Benefits	47,890
Deferred Inflows of Resources are not recorded in the governmental fund statements. These reconciling items represent the (increase)/decrease in these accounts as compared to the year.	
Related to Pension Benefits	(244,876)
Related to Other Post Employment Benefits	(21,893)
Change In Net Position of Governmental Activities	<u>16,869</u>

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT G

Statement of Net Position

Proprietary Fund

June 30, 2020

	Food Service Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	40,679
Due from Other Funds	-
State Receivables	-
Federal Receivables	-
Inventories	10,866
Prepaid Expenses	146
Total Current Assets	51,691
Noncurrent Assets:	
Furniture and Equipment (Net of Accumulated Depreciation)	55,277
Total Noncurrent Assets	55,277
Total Assets	106,968
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pension Benefits	67,836
Related to Other Post Employment Benefits	5,223
Total Deferred Outflows of Resources	73,059
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	-
Due to Other Funds	2,888
Unearned Revenue	4,008
Other Current Liabilities	4,119
Total Current Liabilities	11,015
Noncurrent Liabilities:	
Net Pension Liability	291,092
Net Liability for Other Post Employment Benefits	30,848
Total Noncurrent Liabilities	321,940
Total Liabilities	332,955
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Pension Benefits	10,492
Related to Other Post Employment Benefits	1,735
Total Deferred Inflows of Resources	12,227
<u>NET POSITION</u>	
Investment in Capital Assets, Net of Related Debt	55,277
Unrestricted	(220,432)
Total Net Position	(165,155)

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT H

Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Food Service Fund
<u>OPERATING REVENUES</u>	
Food Service Revenue	51,249
Total Operating Revenues	51,249
<u>OPERATING EXPENSES</u>	
Salaries	93,770
Employee Benefits	102,043
Purchased Professional Services	5,615
Purchased Property Services	4,154
Other Purchased Services	75
Supplies	117,757
Depreciation	10,599
Total Operating Expenses	334,013
Operating Loss	(282,764)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	1,909
State Sources	8,795
Federal Sources	170,784
Total Non-Operating Revenues	181,488
Loss Before Contributions and Transfers	(101,276)
<u>CONTRIBUTIONS AND TRANSFERS</u>	
Transfer In - from General Fund for Breakfast Program Meals	19,313
Change in Net Position	(81,963)
Net Position - Beginning	(83,192)
Net Position - Ending	(165,155)

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT I, page 1 of 2

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Food Service Fund
<u>CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES</u>	
Cash Received from Users	52,531
Cash payments for Employee Services and Benefits	(176,395)
Cash payments for Goods and Services	<u>(118,011)</u>
Net Cash (Used) by Operating Activities	(241,875)
<u>CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</u>	
Cash Transferred from General Fund for Breakfast Program	19,313
State Subsidies	10,640
Federal Subsidies	<u>188,408</u>
Net Cash Provided By Non-Capital Financing Activities	218,361
<u>CASH FLOWS (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchases of Equipment	(14,238)
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u>	
Investment Earnings	<u>1,909</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,843)
Cash and Cash Equivalents - Beginning	<u>76,522</u>
Cash and Cash Equivalents - Ending	<u><u>40,679</u></u>
 Non-Cash Non-Capital Financing Activities	
Revenue Representing Donated Commodities	15,618

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT I, page 2 of 2

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	<u>Food Service Fund</u>
<u>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities</u>	
Operating Loss	(282,764)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities	
Depreciation and Net Amortization	10,599
Non-Cash Value of Commodities Used	15,618
(Increase)/Decrease in Inventories	(5,859)
Increase/(Decrease) in Interfund Payables	(9,396)
Increase/(Decrease) in Accounts Payable	(169)
Increase/(Decrease) in Refund of Advanced Sales	1,282
Increase/(Decrease) in Net Pension/OPEB Liabilities and Deferred Inflows/Outflows of Resources	<u>28,814</u>
Net Cash Provided By Operating Activities	<u><u>(241,875)</u></u>

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT J

Statement of Net Position
Fiduciary Funds
June 30, 2020

	<u>Student Activity</u>	<u>Private Purpose Trust</u>	<u>Total Fiduciary</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	51,728	-	51,728
Accounts Receivable		382	382
Total Assets	<u>51,728</u>	<u>382</u>	<u>52,110</u>
<u>LIABILITIES</u>			
Other Current Liabilities	51,728	-	51,728
Total Liabilities	<u>51,728</u>	<u>-</u>	<u>51,728</u>
<u>NET POSITION</u>			
Restricted	-	382	382
Total Net Position	<u>-</u>	<u>382</u>	<u>382</u>

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

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT K

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	<u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
Gifts and Contributions	-
<u>DEDUCTIONS</u>	
Scholarships and Awards Presented	<u>100</u>
Change in Net Position	(100)
Net Position - Beginning	<u>482</u>
Net Position - Ending	<u><u>382</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sugar Valley Rural Charter School (the School), located in Loganton, Clinton County, Pennsylvania, was formed in accordance with Act 22 of 1997, which permits local citizens to conceive, implement, and operate public schools that are independent of local school boards. The School's original charter was approved on December 14, 1999 and was renewed for each of the five year periods beginning July 1, 2005, 2010, 2015 and 2020.

A. Use of Governmental Accounting Standards, Postponement of Adoption of New Standards and Changes in Aggregation of Functional Expenses

Although the School is a non-profit organization, the School operates under current standards prescribed by the Pennsylvania Department of Education. That Department requires that the School's financial statements be prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification is recognized as U.S. generally accepted accounting principles for state and local governments.

In May 2020, GASB issued *Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement's objective is to provide temporary relief to governments in light of the COVID-19 pandemic. Under this guidance, the School has elected to postpone implementation of *GASB Statement No 84 – Fiduciary Activities* which otherwise was to become effective this year. Also, the School will not be early implementing *GASB Statement No. 87—Leases*.

GASB Statement No. 84 will be implemented in the year beginning July 1, 2020 and *GASB No. 87* will be implemented in the year beginning July 1, 2021. There are no other newly effective or postponed Statements that would currently impact the School.

The presentation of functional expenses in the Statement of Activities has been changed to provide greater detail. The functions now presented as "Student and Instructional Staff Support", "Health Services" and "Central Services" had previously been aggregated into the single function "Instructional Student Support".

B. Reporting Entity

The reporting entity has been defined in accordance with requirements of the Governmental Accounting Standards Board (GASB). The GASB criteria for evaluating whether other entities should be included as component units in the School's financial statements include legal status, financial accountability, fiscal dependency, and nature and significance of the relationship with the School. School management identified no other entities that should be included as component units given these criteria.

C. Basis of Presentation

The School's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School at year-end. The statement of activities presents a comparison between function expenses and program revenues for each function of the School's activities. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School.

Function expenses represent direct expenses that are specifically associated with a function. The School has no indirect expenses to allocate between functions. Program revenues include tuition from neighboring districts for enrolled students. This revenue is allocated proportionally to function expenses in the government-wide financial statements. Program revenue also includes substantially all grant revenues. These grant revenues are presented also allocated to the function or functions that each grant supports.

Revenues which are not classified as program revenues are presented as general revenues of the School.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Currently, the School has no non-major funds. Fiduciary funds are reported by type.

D. Fund Accounting

The School uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School's major, and only, governmental fund is –

General Fund The general fund is the operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School's major, and only, enterprise fund is –

Food Service Fund This fund accounts for the financial transactions related to the food service operations of the School. The food service provides meals and snacks to students and staff. They can also provide food service for other events under School sponsorship.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The School has two types of fiduciary funds – a private-purpose trust fund and an agency fund. The private-purpose trust fund is held by the School to provide an award to graduating students and is, therefore, not available to support the School's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

E. Measurement Focus and Basis of Accounting

Economic Resources Measurement Focus and Accrual Basis of Accounting The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. In the accrual basis of accounting, revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues from non-exchange transactions are recognized as follows:

- Revenue from a student's resident District is recognized in the period in which the student attends the School.
- Grants which are expenditure-driven are recognized as revenue when the specified reimbursable expense is incurred, provided any other eligibility criteria have also been met. Any amounts that have been received, but not expended by year end, are recorded as unearned revenues.
- Grants which are not expenditure-driven are recognized as revenue when the applicable recognition criteria have been met. Any amounts that remain unused at year end are recorded as restricted fund net assets.

Expenditures are recognized when liabilities are incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In the modified accrual basis of accounting, revenues are recognized as outlined above, but with the added criteria that revenues should only be recognized when both measurable and available to finance expenditures of the fiscal period.

The School has defined that revenues are "available" if received within 60 days of year end. However, the School has noted that revenues from expenditure-driven grants are generally available for collection soon after the related expenditures are incurred. As a matter of practicality and consistency, the School has decided to consider all such expenditure-driven grant revenue as available when the related expenditure has been incurred, provided any other eligibility criteria have also been met.

Revenues that are measurable, but do not meet the definition of "available" are recorded as deferred inflows of resources.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

F. Classification and Uses of Net Position and of Fund Balances

Net Position In the Government-wide financial statements, and in the Proprietary fund statements, net position may be classified as

- Restricted – This classification includes amounts when constraints on the uses of resources are imposed by external entities (grantors, contributors, creditors) or by law.
- Investment in Capital Assets – This classification represents the School's investment in fixed assets, net of related accumulated depreciation. If there is outstanding debt related to the acquisition of these assets, the amount presented is also net of that debt.
- Unrestricted- This classification represents any remaining positive or deficit net position.

The School's policy is to first apply restricted resources, rather than unrestricted resources, when an expense is incurred for purposes for which both restricted and unrestricted net position, are available.

Fund Balance In Governmental Funds, fund balance may be classified as

- Unspendable – This classification includes amounts that cannot be spent because they are either not in spendable form (inventories, prepayments, etc.) or are legally required to be maintained intact.
- Restricted – This classification includes amounts when constraints on the uses of resources are imposed by external entities (grantors, contributors, creditors) or by law.
- Committed – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by actions of the Board, which holds the highest level of decision making authority. Committed fund balances are created by action of the Board. Commitments can also be removed by action of the Board. At June 30, the School had committed fund balance for new construction of \$4,000,000, summer payroll costs of \$ 284,357, and summer operating costs of \$1,000,000.
- Assigned – This classification includes amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by a committee or individual who has been granted authority to assign funds by the Board. The Finance committee has been granted authority to assign fund balance of \$1,650,000 for future costs including pension obligations.
- Unassigned – Unassigned fund balance is the residual classification for the general fund.

The School's policy is to first apply restricted resources, rather than committed, assigned or unassigned fund balance when an expense is incurred for purposes for which both restricted and committed, assigned or unassigned fund balances are available.

In regard to use of committed, assigned and unassigned fund balance amounts, the School considers that committed amounts would be reduced first, followed by assigned amounts and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Activity

The Food Service Fund serves free breakfast to all students. Transfers are made from the General Fund to the Food Service Fund, to pay for the breakfasts served to students who are not eligible for assistance under the School Breakfast Program for low income families.

Transfers totaling \$ 19,313 were made from the General Fund to the Food Service Fund for breakfasts.

The General Fund makes certain payments on behalf of the Food Service Fund and the Food Service Fund periodically reimburses the General Fund. This practice may give rise to amounts outstanding at year end which are referred to as "dueto/due from" other funds in the fund statements. In the government-wide financial statements, balances outstanding between governmental activities and business-type activities are reported as "internal balances", and are eliminated in the government-wide total.

I. Inventories

The School inventory consists of Food Service Fund food and supplies. The purchased inventory is valued at cost. Donated inventory received through the Pennsylvania Department of Agriculture is valued at rates provided by that Department. These values are representative of market values. FIFO (first-in, first-out) methods are applied to inventory valuation.

J. Prepaid Expenses

In the government-wide statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived. In the governmental fund statements pre-payments of insurances and other similar services are not allocated between and among accounting periods. Rather, they are accounted for as expenditures in the period of acquisition. In the proprietary fund statements, the pre-payment of expenses is reported as a current asset.

K. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The school also capitalizes all stationary computers and networking equipment. Donated capital assets are recorded at estimated fair value at the date of donation.

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

All capital assets reported as used in governmental activities are depreciated using the straight-line method over the following estimated useful lives –

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	7-30
Site Improvements	7-20
Leasehold Improvements	5-20
Furniture and Equipment	5-15
Vehicles	5-8

Proprietary funds equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 8-15 years.

L. Estimates

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

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Definition of Operating Income

The School's only proprietary fund is its food service fund. The School defines amounts received for meals and other school functions as operating revenue. Subsidies received from federal and state sources, as well as transfers from the general fund, are defined as non-operating revenue.

N. Statement of Cash Flows

For purposes of the statement of cash flows, the School considers highly liquid financial instruments with an original maturity from the time of acquisition by the School of three months or less to be cash equivalents.

O. Income Taxes

The School is exempt from federal income taxes under Code Section 501(c) (3) of the Internal Revenue Code. In addition, the School qualifies for charitable deductions under Internal Revenue Code Section 170(b) (1) (A) and is not a private foundation. Federal filings for 2016 and forward are open to examination.

NOTE 2 **CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Under Section 440.1 of the Public School Code of 1949, as amended, the School is permitted to invest its monies as follows –

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

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School adheres to state statutes and prudent business practices.

All financial assets of the School were bank deposits in the year 2019-20.

Deposits with Banks

GASB standards require that the School disclose information about risks associated with its deposits. Deposits with financial institutions are exposed to the following risk –

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a depository bank failure, the School's deposits might not be recovered. The School's policy is to mitigate this risk by requiring each depository to furnish proper security for deposits in accordance with law. As of June 30, 2020, the carrying amount of the School's deposits was \$ 6,470,601, and the bank balance was \$ 6,633,188. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance of \$ 6,383,188 was exposed to custodial credit risk as these deposits were not covered by depository insurance. Rather, these deposits were collateralized with securities held by the pledging financial institution, but not in the School's name.

NOTES TO FINANCIAL STATEMENTS

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NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and cash equivalents reported on the financial statements represent –

Bank value of deposits with financial institutions	6,633,188
Plus Deposits In Transit	-
Less Outstanding Checks	(162,587)
Total Cash and Cash Equivalents	<u>6,470,601</u>
General Fund	6,378,194
Proprietary Fund	40,679
Student Activities Fund	<u>51,728</u>
Total Cash and Cash Equivalents	<u>6,470,601</u>

NOTE 3 ACCOUNTS RECEIVABLE

Amounts due from other governments represent receivables due from local school districts for tuition revenues. Amounts are also due from federal and state sources for grants. The School's management believes these receivables are fully collectable and has not established an allowance for doubtful accounts.

The School establishes a food service account for each student. These accounts are generally pre-funded by parents, but some accounts become delinquent. The School is required to continue to serve meals to all students, even when meals are not being paid for. The School does not report accounts receivable for these delinquent student accounts as the School has little ability to enforce collection.

NOTE 4 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows –

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital Assets Not Being Depreciated</i>				
Land	280,357			280,357
Assets not yet placed in service		408,033		408,033
<i>Capital Assets Being Depreciated -</i>				
Buildings and Improvements	1,046,704	26,230		1,072,934
Site Improvements	149,277	15,525		164,802
Leasehold Improvements	693,788	48,636		742,424
Furniture and Equipment	666,589	107,318	(39,861)	734,046
Vehicles	237,479			237,479
Total Assets Being Depreciated	<u>2,793,837</u>	<u>197,709</u>	<u>(39,861)</u>	<u>2,951,685</u>
Total Assets	<u>3,074,194</u>	<u>605,742</u>	<u>(39,861)</u>	<u>3,640,075</u>
Less Accumulated Depreciation For -				
Buildings and Improvements	23,796	38,142		61,938
Site Improvements	122,952	12,281		135,233
Leasehold Improvements	465,383	42,445		507,828
Furniture and Equipment	417,700	89,916	(39,861)	467,755
Vehicles	156,090	31,562		187,652
Total Accumulated Depreciation	<u>1,185,921</u>	<u>214,346</u>	<u>(39,861)</u>	<u>1,360,406</u>
Total Capital Assets Being Depreciated, Net	<u>1,607,916</u>	<u>(16,637)</u>	<u>-</u>	<u>1,591,279</u>
Governmental Activities Capital Assets, Net	<u>1,888,273</u>	<u>391,396</u>	<u>-</u>	<u>2,279,669</u>

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NOTE 4 CHANGES IN CAPITAL ASSETS – (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets Being Depreciated				
Equipment	97,950	14,238	(9,233)	102,955
Less Accumulated Depreciation For - Equipment	<u>46,312</u>	<u>10,599</u>	<u>(9,233)</u>	<u>47,678</u>
 Business-Type Activities Capital Assets, Net	<u>51,638</u>	<u>3,639</u>	<u>-</u>	<u>55,277</u>

Depreciation Expense was reported as follows:

Governmental Activities

Unallocated activities	<u>214,346</u>
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Business-Type Activities

Food Service Fund	<u>10,599</u>
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The School has identified idle equipment used in governmental activities with original cost of \$ 11,791 and net book value of \$ 3,452.

NOTE 5 LEASE OBLIGATIONS

The School leases a significant portion of its facilities from Sugar Valley Concerned Citizens (a non-profit organization) under a lease agreement which renews automatically every five years, provided the School's five year charter is also renewed. The lease in effect through June 30, 2020, renewed July 1, 2020 and will expire June 30, 2025. This agreement will automatically renew for a five year term upon the grant of a renewal of the School's charter. Rent expense under this lease for the year ended June 30, 2020 was \$472,800 and is reported in the general fund.

Future minimum lease payments under this lease are \$472,800 over each of the next five years.

The School also leases copiers and other equipment under operating leases. Lease expense for equipment was \$19,030 for the year ended June 30, 2020. Copiers were purchased, rather than leased, in 2020-21.

NOTE 6 COMPENSATED ABSENCES

The School pays employees for any unused vacation or other leave before each year end. Therefore, the School had no liabilities for compensated absences as of June 30, 2020.

NOTE 7 COMMITMENTS

In September 2020, the School entered into contracts for the construction of a gymnasium. The total costs are estimated at \$5,818,820. Construction began in October and is anticipated to be completed in the spring or summer of 2021. The School has arranged for Bank financing of up to \$5,000,000.

NOTE 8 PENSION PLAN

General Information about the Pension Plan

Plan description

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

Measurement of financial information

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

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

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

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

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.

NOTE 8 PENSION PLAN (Continued)

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

Employer Contributions:

The school's contractually required contribution rate for the 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 School were \$1,238,168 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 School reported a liability of \$ 11,930,000 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 the System's total pension liability as of June 30, 2018 to June 30, 2019. The School'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 School's proportion was .0255 percent, which was an increase of .0014 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School recognized pension expense of \$ 2,158,853. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	66,000	(395,000)
Changes in Assumptions	114,000	-
Net difference between projected and actual investment earnings	-	(35,000)
Changes in Proportion	1,362,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	1,238,168	-
	<u>2,780,168</u>	<u>(430,000)</u>

\$ 1,238,168 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the school year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

School Year Ended June 30:

2021	738,000
2022	307,000
2023	45,000
2024	22,000
	<u>1,112,000</u>

NOTE 8 PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level 1% of pay.
- Investment return – 7.25%, includes inflation of 2.75%.
- Salary Growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP- 2015 Mortality Improvement Scale.

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

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

The pension plan's policy in regard to 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 plan.

<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 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.

NOTE 8 PENSION PLAN (Continued)

Sensitivity of the School'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 <u>6.25%</u>	Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
School's proportionate share of the net pension liability	14,860,000	11,193,000	9,449,000

Additional information about the Plan's fiduciary net position

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

NOTE 9 OTHER POST EMPLOYMENT BENEFITS – (OPEB)

PSERS provides both pension benefits, as described above, and OPEB benefits in the form of health insurance premium assistance (Premium Assistance). The School has also adopted its own Sugar Valley Rural Charter School Postemployment Benefit Plan which provides health insurance benefits to eligible retirees.

1. PREMIUM ASSISTANCE PROGRAM

General information about Premium Assistance:

Plan Description

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

Measurement of financial information

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

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 are no assumed future benefit increases to participating eligible retirees.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

Eligibility Criteria

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

- Having 24 ½ or more years of service, or
- Are a disabled 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.

Employer Contributions

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.

The School's contractually required contribution rate for the fiscal year ended June 30, 2020 was .84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Premium Assistance plan were \$32,002 for the year ended June 30, 2020.

Actuarial Assumptions

The total Premium Assistance liability as of June 30, 2019 was determined by rolling forward the System's total Premium Assistance liability as of the June 30, 2018 actuarial valuation to June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015. 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 capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP- 2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for the fiscal year 2018-19.
- Cost method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for health 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 Health Annuitant Tables with age set back 3 years for both genders assuming the population consisted of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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NOTE 9 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

Investments

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

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

The above is the Board’s adopted asset allocation policy and best estimate of geometric real rates of return for each major class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total Premium Assistance liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% 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 OPEB liability.

Sensitivity of the System Net OPEB liability to Change in Healthcare Cost Trends

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 School’s proportionate share of the net Premium Assistance OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if the health cost trends were 1- percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
School’s proportionate share of the net Premium Assistance liability	542,000	542,000	542,000

NOTE 9 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

Sensitivity of the School's proportionate share of the net Premium Assistance OPEB liability to changes in the discount rate

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

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
School's proportionate share of the net Premium Assistance liability	618,000	542,000	480,000

Premium Assistance 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.

2. SUGAR VALLEY RURAL CHARTER SCHOOL POSTEMPLOYMENT BENEFITS PLAN

Plan Description.

The Sugar Valley Charter School Postemployment Benefits Plan (the SVRCS Plan) is a single-employer defined benefit healthcare plan administered by the School. The School adopted the SVRCS Plan in February of 2016. The School has elected to pay benefits directly from School assets, rather than create and then fund a trust to provide benefits. As the SVRCS Plan has no trust, the SVRCS Plan does not have a stand-alone financial statement to present.

Benefits Provided

The SVRCS Plan was established in accordance with Act 110 of October 20, 1988, and Act 43 of July 8, 1989, by which the Pennsylvania Public Education Code was amended, obligating the School to make the school group health insurance coverage available to its retirees who have met certain criteria. For subsidized members, the School will pay 100% of the single premium for medical, prescription drug, and vision coverage for the retired employee. Retirees can elect dental coverage by paying the full premium. Spouses and dependents are not eligible to receive subsidized coverage.

Members who do not meet the requirements for subsidized coverage, but do meet requirements of Act 110/43 are eligible to receive coverage for themselves, their spouse and dependents, by paying the full premium determined for the purpose of COBRA.

Coverage continues until the retiree reaches Medicare Age or age 65, whichever comes first.

Eligibility Criteria

Subsidized members must reach age 59 ½ and have 15 years of service with Sugar Valley Rural Charter School. Unsubsidized employees are eligible under Act 110/43 upon retiring with 30 years PSERS service or upon superannuation retirement.

At June 30, 2019 there were 97 active employees, no vested former participants and no retired participants.

Employer Contributions

The School pays premiums for subsidized members as they become due.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS - (OPEB) (Continued)

Multiple Year Reporting

Pursuant to GASB No. 75, an actuarial valuation can be used over a two year period. The figures reported reflect the measurement date of June 30, 2019 for the fiscal year ended June 30, 2020 and are based on an actuarial valuation date of July 1, 2019.

Actuarial Assumptions

The following actuarial assumptions were used in calculating the School's net OPEB liability and deferred inflows and outflows of resources.

- Actuarial cost method – Entry Age Normal.
- Discount Rate – 3.36%, Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.
- Salary Growth - Salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Withdrawal – Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below

Age	Male Rate	Female Rate
25	3.08%	6.02%
30	3.08%	4.82%
35	1.80%	3.42%
40	1.61%	1.92%
45	1.64%	1.98%
50	2.30%	2.47%
55	4.06%	3.73%
60	6.68%	7.68%

Rates for new employees start at 27.48% for both men and women and decrease with age and service.

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

Age	Age 55 & 25 Years of Service		Superannuation	
	Males	Females	Males	Females
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

- Per Capita Claims Cost – The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision cost are assumed to not vary with age and gender

Age	Medical and Prescription Coverage	
	Males	Females
45-49	\$7,508	\$10,843
50-54	\$9,944	\$12,255
55-59	\$12,111	\$12,823
60-64	\$15,804	\$14,731

- Health care cost trends – 6% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Disability – No disability is assumed.
- Mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by Buck Modified 2016 projection scale to reflect mortality improvement.
- Participant Data is based on census information as of August 2019. Due to timing of the school turnover, the data is believed to be representative of the population for the 2019-20 school year.
- Percent of Eligible Retirees Electing Coverage in the Plan:
 - 100% of retirees receiving a subsidy are assumed to elect coverage
 - 0% of retirees eligible under Act 110/43 are assumed to elect coverage

NOTE 9 OTHER POST EMPLOYMENT BENEFITS - (OPEB) (Continued)

Changes in Assumptions –

The discount rate changed from 2.98% at June 30, 2018 to 3.36% at June 30, 2019.

Sensitivity of the System Net OPEB liability to Change in Healthcare Cost Trends

The following represents the SVRCS Plan net liability for June 30, 2019, calculated using current healthcare cost trends as well as what the system net 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>
SVRCS Plan net liability	618,672	722,248	850,414

Sensitivity of the School's proportionate share of the net Premium Assistance OPB liability to changes in the discount rate

The following presents the SVRCS Plan net liability, calculating using the discount rate of 3.36%, as well as what the SVRCS Plan net liability would be if it were calculating using a discount rate that was 1- percentage point lower (1.98%) or 1- percentage point higher (1.98%) than the current rate:

	<u>1% Decrease 2.36%</u>	<u>Current Discount Rate 3.36%</u>	<u>1% Increase 4.36%</u>
SVRCS Plan net liability	799,674	722,248	650,903

Change in SVRCS Plan Liability

Liability Balance at 6/30/2018	645,273
Service Costs	71,021
Interest	20,955
Changes in Benefit Terms	-
Differences Between Expected and Actual	
Experience	26,831
Changes in Assumptions	(28,712)
Benefit Payments	-
Other Changes	(13,120)
Total Change	<u>76,975</u>
Liability Balance at 6/30/2019	<u><u>722,248</u></u>

3. Summary of OPEB Liabilities, OBEP Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the School reported net OPEB liabilities as follows:

Proportionate share of Premium Assistance	542,000
SVRCS Plan	<u>722,248</u>
Total	<u><u>1,264,248</u></u>

The net liability for the SVRCS Plan was measured as of June 30, 2019. The liability is calculated based on actuarial report as of June 30, 2019.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

The net liability for Premium Assistance was measured as of June 30, 2019, and the total Premium Assistance liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School's proportion was .0255 percent, which was an increase of .0014 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School recognized OPEB expense of:

Proportionate share of Premium Assistance	41,462
SVRCS Plan	<u>80,930</u>
Total	<u>122,392</u>

At June 30, 2020, the School reported deferred outflows of resources and deferred inflows as follows:

Premium Assistance

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	3,000	-
Changes in Assumptions	18,000	(16,000)
Net difference between projected and actual investment earnings	1,000	-
Changes in Proportion	72,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	32,002	-
	<u>126,002</u>	<u>(16,000)</u>

SVRCS Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	25,420	(27,156)
Changes in Assumptions	62,624	(27,951)
Contributions subsequent to the measurement date	-	-
	<u>88,044</u>	<u>(55,107)</u>

Total

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	28,420	(27,156)
Changes in Assumptions	80,624	(43,951)
Net difference between projected and actual investment earnings	1,000	-
Changes in Proportion	72,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	32,002	-
	<u>214,046</u>	<u>(71,107)</u>

NOTE 9 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

The net liabilities, the deferred outflows/inflows, and OPEB expenses have been allocated between the general fund and the food service fund, based on each fund's share of Premium Assistance contribution.

The total \$32,002 reported as deferred outflows of resources resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the school year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

School Year Ended June 30:	Premium Assistance	SVRCS Plan	Total
2021	15,000	2,074	17,074
2022	15,000	2,074	17,074
2023	15,000	2,074	17,074
2024	15,000	2,074	17,074
2025	13,000	2,074	15,074
thereafter	5,000	22,566	27,566
	<u>78,000</u>	<u>32,936</u>	<u>110,936</u>

NOTE 10 CONTINGENT LIABILITIES

Grant Programs

The School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 RISK MANAGEMENT

The School is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage is consistent with previous years. During the year ended June 30, 2020, and the three previous years, no settlements exceeded insurance coverage.

NOTE 12 SUBSEQUENT EVENTS

In March 2020, the United States was impacted by the COVID-19 coronavirus. Pennsylvania Schools were ordered to provide only remote learning activities in March 2020, and did not reopen for in-person learning until the start of the 2020-21 school year.

The Commonwealth is currently experiencing a significant increase in the number of COVID-19 cases. Continued business interruptions and high unemployment could occur, resulting in additional loss of tax revenues, which could indirectly effect the School's tuition revenues. The future effects of the virus cannot be predicted, but return to remote learning or other changes in the School's operations could occur. The School is currently closing in-person learning from time-to-time, when COVID-19 cases rise. When the School is not open for in-person learning, the food service provides free take-home meals for pick-up at the school. Grant funds are received for each meal served. However, only a limited number of students are anticipated to take advantage of this option. Food service revenue could be significantly reduced if the School is closed to in-person learning for extended periods.

ADDITIONAL REQUIRED
SUPPLEMENTARY
INFORMATION

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE A

Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual
General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	8,611,798	8,611,798	8,647,164	35,366
State Sources	58,000	58,000	75,772	17,772
Federal Sources	307,000	307,000	377,249	70,249
Total Revenues	<u>8,976,798</u>	<u>8,976,798</u>	<u>9,100,185</u>	<u>123,387</u>
<u>EXPENDITURES</u>				
Regular Instruction	3,493,683	3,493,683	3,465,405	28,278
Special Programs	1,306,854	1,306,854	1,310,965	(4,111)
Other Instructional Programs	89,040	89,040	3,104	85,936
<i>Total Instruction</i>	<u>4,889,577</u>	<u>4,889,577</u>	<u>4,779,474</u>	<u>110,103</u>
Pupil Services	214,959	214,959	203,805	11,154
Instructional Staff Services	270,896	270,896	251,844	19,052
Administrative Services	767,420	767,420	763,385	4,035
Pupil Health	257,154	257,154	230,523	26,631
Business Services	125,602	125,602	126,881	(1,279)
Operation & Maintenance of Plant Services	1,355,852	1,355,852	1,050,768	305,084
Student Transportation Services	176,269	176,269	62,097	114,172
Central & Other Support Services	543,437	543,437	396,638	146,799
<i>Total Support Services</i>	<u>3,711,589</u>	<u>3,711,589</u>	<u>3,085,941</u>	<u>625,648</u>
Student Activities	220,371	220,371	130,337	90,034
Community Services	-	-	66,949	(66,949)
Scholarships and Awards	-	-	100	(100)
<i>Total Non-Instructional Services</i>	<u>220,371</u>	<u>220,371</u>	<u>197,386</u>	<u>22,985</u>
Facilities Acquisition and Improvement	-	-	425,931	(425,931)
<i>Total Facilities Acquisition and Improvement</i>	<u>-</u>	<u>-</u>	<u>425,931</u>	<u>(425,931)</u>
Total Expenditures	<u>8,821,537</u>	<u>8,821,537</u>	<u>8,488,732</u>	<u>332,805</u>
Other Financing Sources (Uses)				
Interfund Transfers - Out	(155,000)	(155,000)	(19,313)	135,687
Budgetary Reserve	(261)	(261)	-	261
Total Other Financing Sources (Uses)	<u>(155,261)</u>	<u>(155,261)</u>	<u>(19,313)</u>	<u>135,948</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>592,140</u>	<u>592,140</u>
Fund Balance - Beginning	<u>6,850,000</u>	<u>6,850,000</u>	<u>6,128,801</u>	<u>(721,199)</u>
Fund Balance - Ending	<u>6,850,000</u>	<u>6,850,000</u>	<u>6,720,941</u>	<u>(129,059)</u>

See accompanying Notes to Required Supplementary Information

SUGAR VALLEY RURAL CHARTER SCHOOL**SCHEDULE B**

Schedule of School's Proportionate Share of Net Pension Liability
Commonwealth of Pennsylvania School Employees Retirement System (PSERS)
June 30, 2020

Measurement date	2020	2019	2018	2017	2016	2015
	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15	30-Jun-14
School's proportion of the net pension liability (asset)	0.0255%	0.0241%	0.0225%	0.0270%	0.0188%	0.0169%
School's proportionate share of the net pension liability (asset)	11,930,000	11,569,000	11,112,000	10,258,000	8,143,000	6,689,000
School's covered-employee payroll	3,514,458	3,242,009	2,996,369	2,675,420	2,422,716	2,197,302
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	339.45%	356.85%	370.85%	383.42%	336.11%	304.42%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.23%

SUGAR VALLEY RURAL CHARTER SCHOOL**SCHEDULE C**Schedule of School's Contributions for Pension Benefits
Commonwealth of Pennsylvania School Employees Retirement System - PSERS
June 30, 2020

Measurement date	<u>2020</u> <u>30-Jun-20</u>	<u>2019</u> <u>30-Jun-19</u>	<u>2018</u> <u>30-Jun-18</u>	<u>2017</u> <u>30-Jun-17</u>	<u>2016</u> <u>30-Jun-16</u>	<u>2015</u> <u>30-Jun-15</u>
Contractually required contribution	1,238,168	1,157,853	1,035,636	890,021	670,423	496,657
Contributions in relation to the contractually required contribution	<u>1,238,168</u>	<u>1,157,853</u>	<u>1,035,636</u>	<u>890,021</u>	<u>670,423</u>	<u>496,657</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School's covered-employee payroll	3,701,548	3,514,458	3,242,009	2,996,369	2,675,420	2,422,716
Contributions as a percentage of covered-employee payroll	33.5%	32.9%	31.9%	29.7%	25.1%	20.5%

SUGAR VALLEY RURAL CHARTER SCHOOL**SCHEDULE D**

Schedule of School's Proportionate Share of Net Premium Assistance OPEB Liability
 Commonwealth of Pennsylvania School Employees Retirement System (PSERS)
 June 30, 2020

Measurement date	2020	2019	2018	2017
	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
School's proportion of the net Premium Assistance OPEB liability (asset)	0.0255%	0.0241%	0.0225%	0.0270%
School's proportion of the net Premium Assistance OPEB liability (asset)	542,000	502,000	458,000	446,000
School's covered-employee payroll	3,514,458	3,242,009	2,996,369	2,675,420
School's proportionate share of the net Premium Assistance OPEB liability(asset) as a percentage of its covered-employee payroll	15.42%	15.48%	15.29%	16.67%
Plan fiduciary net position as a percentage of the total Premium Assistance OPEB liability	5.56%	5.56%	5.73%	5.47%

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE E

Schedule of School's Contributions for Premium Assistance OPEB
Commonwealth of Pennsylvania School Employees Retirement System - PSERS
June 30, 2020

Measurement date	<u>2020</u> <u>30-Jun-20</u>	<u>2019</u> <u>30-Jun-19</u>	<u>2018</u> <u>30-Jun-18</u>	<u>2017</u> <u>30-Jun-17</u>
Contractually required contribution	32,002	29,479	27,082	25,000
Contributions in relation to the contractually required contribution	<u>32,002</u>	<u>29,479</u>	<u>27,082</u>	<u>25,000</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School's covered-employee payroll	3,701,548	3,514,458	3,242,009	2,996,369
Contributions as a percentage of covered-employee payroll	0.86%	0.84%	0.84%	0.83%

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE F

Schedule of Changes in Net Liability and Covered Payroll for the SVRCS Plan - OPEB
June 30, 2020

Measurement date	<u>2020</u>	<u>2019</u>	<u>2018</u>
	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
OPEB Liability at beginning of measurement period	645,273	559,892	453,251
Service Costs	71,021	66,825	64,626
Interest	20,955	19,394	12,722
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual			
Experience	26,831		(32,247)
Changes in Assumptions	(28,712)	(838)	74,366
Benefit Payments	-	-	(12,826)
Other Changes	-	-	-
Total Change	<u>90,095</u>	<u>85,381</u>	<u>106,641</u>
OPEB Liability at end of measurement period	<u><u>735,368</u></u>	<u><u>645,273</u></u>	<u><u>559,892</u></u>
Covered Payroll	3,510,579	3,061,024	3,061,024
OPEB Liability as a Percent of Covered Payroll	21%	21%	18%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**NOTE 1
ACTUAL-**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND
Schedule A**

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

Legal budgetary control is maintained at the sub-function/major object level. The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The budget was not amended during the year ended June 30, 2020.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Budgeted appropriations lapse at year end, and no reserves are created for encumbrances outstanding at year end.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

NOTE 2

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- Schedule B

and

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS FOR PENSION BENEFITS – Schedule C

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 8 to the financial statements.

NOTE 3

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PREMIUM ASSISTANCE OPEB
LIABILITY – Schedule D**

and

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS FOR PREMIUM ASSISTANCE OPEB – Schedule E

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 9 to the financial statements.

NOTE 4

**SCHEDULE OF CHANGES IN NET LIABILITY AND COVERED EMPLOYEE PAYROLL FOR THE SVRCS PLAN
- OPEB – Schedule F**

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 9 to the financial statements.

No assets are accumulated in a trust to fund benefits.



MARGARET MCCLUSKEY CPA LLC

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

Board of Trustees
SUGAR VALLEY RURAL CHARTER SCHOOL
Loganton, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sugar Valley Rural Charter School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mifflinburg, PA

December 18, 2020

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