

**CANTON AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
JUNE 30, 2021**

**CANTON AREA SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Canton Area School District
Canton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Canton Area School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Emphasis of Matter

As discussed in Note 17 to the financial statements, the net position as of July 1, 2020 has been restated to correct the beginning balance of capital assets, as a result of a physical inventory of capital assets. Our opinions are not modified with respect to that matter.

Change in Accounting Principle

As discussed in Note 1 and Note 17 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Our opinions are not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of changes in the District's total/net OPEB liability and related ratios, schedule of District's PSERS OPEB contributions, schedule of District's proportionate share of the net pension liability - PSERS, schedule of employer's contributions for PSERS, and notes to the required supplementary information on pages 3 - 12, 49, 50, 51, 52, 53 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 55 - 56 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Introduction

Our discussion and analysis of the Canton Area School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- As of June 30, 2021, the District's net position on the government-wide statements amounted to a deficit of \$9,820,131 for governmental activities. The unrestricted net position was a deficit of \$16,230,767, the net investment in capital assets was \$6,367,353 and the restricted net position was \$43,283 as of June 30, 2021. The deficit in net position is caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75.
- As of June 30, 2021, the District's net position on the government-wide statements amounted to a deficit of \$219,665 for business-type activities. The unrestricted net position was a deficit of \$277,029, the net investment in capital assets was \$57,364 and there were no amounts classified as restricted net position as of June 30, 2021. The deficit in net position is caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75.
- The "current ratio", which is an indicator of liquidity, for governmental activities was 2.29 and 2.71 as of June 30, 2021 and 2020, respectively.
- The "current ratio", which is an indicator of liquidity, for business-type activities was 1.67 and 5.18 as of June 30, 2021 and 2020, respectively.
- The District's overall net position for governmental activities increased by \$612,603 or 5.87% in 2020-2021 compared with an increase of \$401,598 or 3.71% in 2019-2020.
- The District's overall net position for business-type activities increased by \$19,183 or 8.03% in 2020-2021 compared with an increase of \$87,529 or 26.82% in 2019-2020.
- For the year ended June 30, 2021, the District implemented GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. These statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. The statements also include required and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is classified into three components as follows:

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, excluding unspent bond proceeds, bond premiums and discounts, and deferred refunding proceeds.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that is not invested in capital assets or restricted net position.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes and intergovernmental revenues, governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, business-type activities. The governmental activities of the District are categorized as instructional, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, community service, debt interest and unallocated depreciation. The business-type activities of the District include operation of the school lunch fund.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance for the general fund, student sponsored activities fund and debt service fund, which are considered to be the District's only major funds as defined by Governmental Accounting Standards Board Statement No. 34.

The District legally adopts an annual budget for its general fund. A budgetary comparison statement has been provided in the required supplementary information section of this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Proprietary Fund

The District maintains one proprietary fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the proprietary fund to account for the school lunch fund activities.

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 48 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This includes a budgetary comparison schedule for the general fund, schedule of changes in the District's total/net OPEB liability and related ratios, schedule of District's PSERS OPEB contributions, a schedule of District's proportionate share of the net pension liability - PSERS, and the schedule of employer's contributions for PSERS. Also included in this section are the notes to required supplementary information. Required supplementary information and related notes to the required supplementary information can be found on pages 49 - 54 of this report.

Single Audit Reports

The schedule of expenditures of federal awards presents the activity of federal award programs administered by the District. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Also included in the single audit reports are the notes to the schedule of expenditures of federal awards, as well as information on the results from the single audit performed by the District's independent auditors'. The single audit reports can be found on pages 55 - 62 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole. The condensed statements of net position and statements of activities located in table 1 and table 2, respectively, present summarized financial data from the government-wide financial statements located in the basic financial statements section of this report. This information is presented in comparative form, with totals from the financial statements for the fiscal years ended June 30, 2021 and 2020, along with totals for the primary government as a whole.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

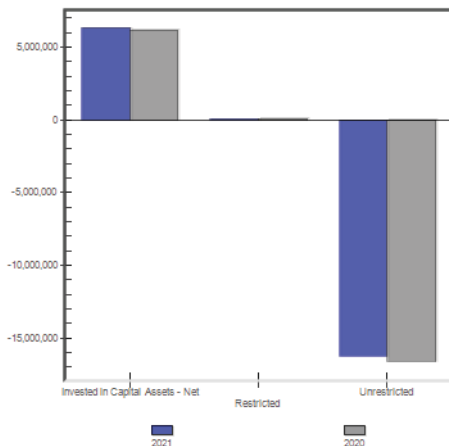
Table 1

Condensed Statements of Net Position
June 30, 2021 and 2020

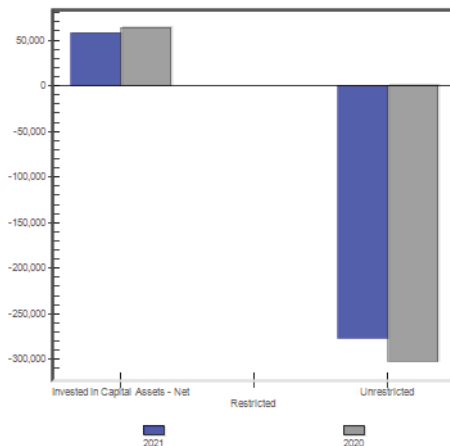
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
		<u>Restated</u>		<u>Restated</u>		<u>Restated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Assets and Deferred Outflows of Resources							
Current assets	\$ 6,607,053	\$ 7,996,246	\$ 274,594	\$ 113,570	\$ 6,881,647	\$ 8,109,816	(15.1)%
Other assets	1,588,639	-	-	-	1,588,639	-	100.0 %
Capital assets	10,452,075	10,941,154	57,364	64,140	10,509,439	11,005,294	(4.5)%
Deferred outflows of resources	3,609,851	2,712,768	61,309	45,551	3,671,160	2,758,319	33.1 %
Total assets and deferred outflows of resources	<u>\$ 22,257,618</u>	<u>\$ 21,650,168</u>	<u>\$ 393,267</u>	<u>\$ 223,261</u>	<u>\$ 22,650,885</u>	<u>\$ 21,873,429</u>	3.6 %
Liabilities and Deferred Inflows of Resources							
Current liabilities	\$ 2,880,701	\$ 2,952,394	\$ 164,536	\$ 21,931	\$ 3,045,237	\$ 2,974,325	2.4 %
Long-term liabilities	28,198,107	27,696,276	424,661	401,610	28,622,768	28,097,886	1.9 %
Deferred inflows of resources	998,941	1,434,232	23,735	38,568	1,022,676	1,472,800	(30.6)%
Total liabilities and deferred inflows of resources	<u>32,077,749</u>	<u>32,082,902</u>	<u>612,932</u>	<u>462,109</u>	<u>32,690,681</u>	<u>32,545,011</u>	0.4 %
Net Position							
Net investment in capital assets	6,367,353	6,175,943	57,364	64,140	6,424,717	6,240,083	3.0 %
Restricted	43,283	47,619	-	-	43,283	47,619	(9.1)%
Unrestricted	(16,230,767)	(16,656,296)	(277,029)	(302,988)	(16,507,796)	(16,959,284)	(2.7)%
Total net position	<u>\$ (9,820,131)</u>	<u>\$ (10,432,734)</u>	<u>\$ (219,665)</u>	<u>\$ (238,848)</u>	<u>\$ (10,039,796)</u>	<u>\$ (10,671,582)</u>	(5.9)%

The largest portion of the District's net position reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. This amounted to \$6,424,717 and \$6,240,083 for the District at the fiscal years ended June 30, 2021 and 2020, respectively. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District has a portion of its net position restricted for scholarships for students at the District. This amounted to \$43,283 and \$47,619 for the District at the fiscal years ended June 30, 2021 and 2020, respectively. The remaining balance of net position is an unrestricted deficit caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75. At June 30, 2021 and 2020, the District had a deficit unrestricted net position of \$16,507,796 and \$16,959,284, respectively.

Net Position Components - Governmental



Net Position Components - Business-Type



CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

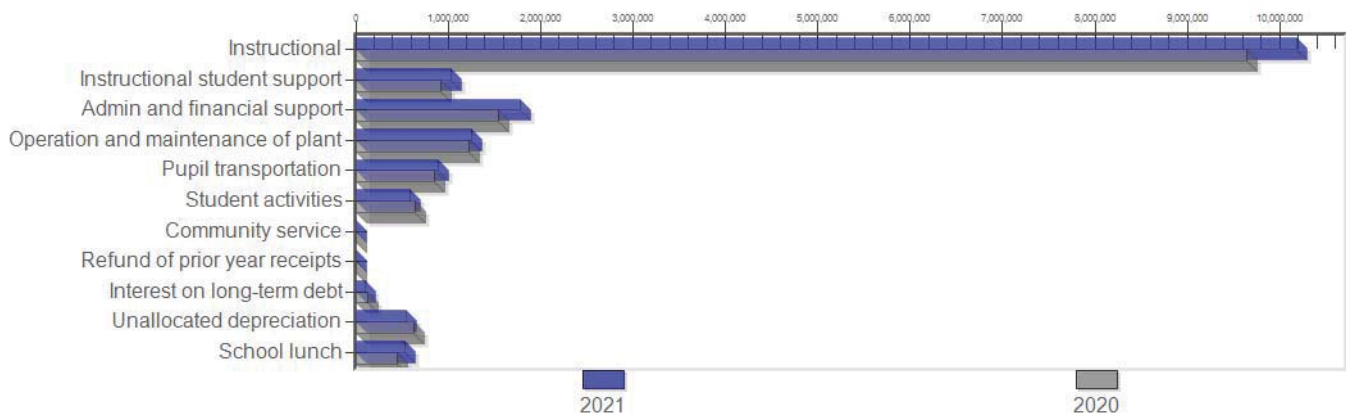
Table 2

Condensed Statements of Activities
For the Years Ended June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	
Revenues							
Program Revenues							
Charges for services	\$ 20,888	\$ 37,227	\$ 31,350	\$ 60,105	\$ 52,238	\$ 97,332	(46.3)%
Operating grants and contributions	5,058,914	4,116,526	521,178	475,476	5,580,092	4,592,002	21.5 %
Capital grants and contributions	<u>278,342</u>	<u>278,545</u>	-	-	<u>278,342</u>	<u>278,545</u>	(0.1)%
Total program revenues	<u>5,358,144</u>	<u>4,432,298</u>	<u>552,528</u>	<u>535,581</u>	<u>5,910,672</u>	<u>4,967,879</u>	19.0 %
General Revenues							
Property taxes and related items	4,092,403	4,020,680	-	-	4,092,403	4,020,680	1.8 %
Grants, subsidies, and contributions	7,383,868	7,384,256	-	-	7,383,868	7,384,256	0.0 %
Investment earnings	22,967	75,170	-	-	22,967	75,170	(69.4)%
Miscellaneous	<u>149,306</u>	<u>82,081</u>	-	-	<u>149,306</u>	<u>82,081</u>	81.9 %
Total general revenues	<u>11,648,544</u>	<u>11,562,187</u>	-	-	<u>11,648,544</u>	<u>11,562,187</u>	0.7 %
Total revenues	<u>17,006,688</u>	<u>15,994,485</u>	<u>552,528</u>	<u>535,581</u>	<u>17,559,216</u>	<u>16,530,066</u>	6.2 %
Program Expenses							
Instructional	10,178,499	9,640,797	-	-	10,178,499	9,640,797	5.6 %
Instructional student support	1,034,337	927,367	-	-	1,034,337	927,367	11.5 %
Administrative and financial support	1,787,063	1,548,336	-	-	1,787,063	1,548,336	15.4 %
Operation and maintenance of plant	1,251,945	1,220,351	-	-	1,251,945	1,220,351	2.6 %
Pupil transportation	891,271	853,739	-	-	891,271	853,739	4.4 %
Student activities	592,058	639,789	-	-	592,058	639,789	(7.5)%
Community service	60	60	-	-	60	60	0.0 %
Refund of prior year receipts	-	89	-	-	-	89	(100.0)%
Interest on long-term debt	105,680	136,238	-	-	105,680	136,238	(22.4)%
Unallocated depreciation	553,172	626,121	-	-	553,172	626,121	(11.7)%
School lunch	-	-	<u>533,345</u>	<u>448,052</u>	<u>533,345</u>	<u>448,052</u>	19.0 %
Total expenses	<u>16,394,085</u>	<u>15,592,887</u>	<u>533,345</u>	<u>448,052</u>	<u>16,927,430</u>	<u>16,040,939</u>	5.5 %
Changes in net position	\$ <u>612,603</u>	\$ <u>401,598</u>	\$ <u>19,183</u>	\$ <u>87,529</u>	\$ <u>631,786</u>	\$ <u>489,127</u>	29.2 %

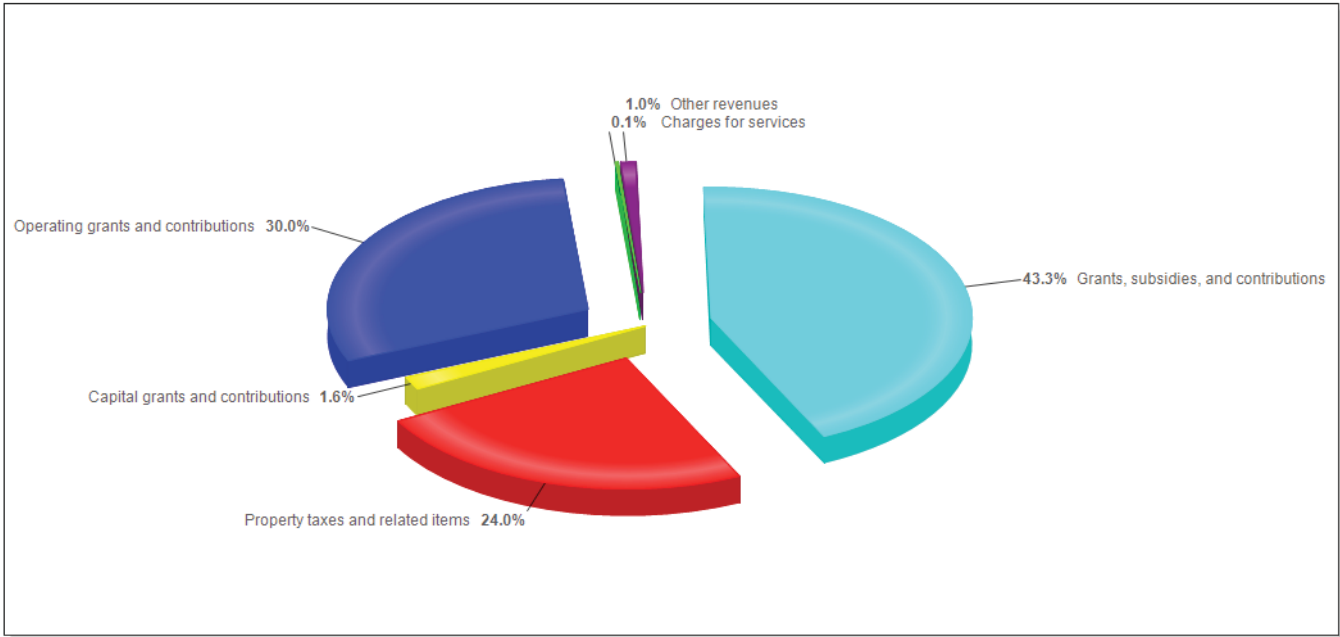
The District's governmental activities experienced an increase in net position of \$612,603 for the fiscal year ended June 30, 2021. This represents an increase of approximately 5.87% from the previous fiscal year. Governmental activities revenues experienced an increase from state reimbursement subsidies for retirement and basic education funding as well as an increase in federal sources primarily related to funds awarded as part of the CARES Act. Expenditures were consistent with the previous year. The District's business-type activities experienced an increase in net position of \$19,183 for the fiscal year ended June 30, 2021. This represents an increase of approximately 8.03% from the previous fiscal year. Revenues increased for the business-type activities primarily due to higher meal reimbursement rates due to the District's participation in the seamless summer option program.

Comparative Expenses by Function

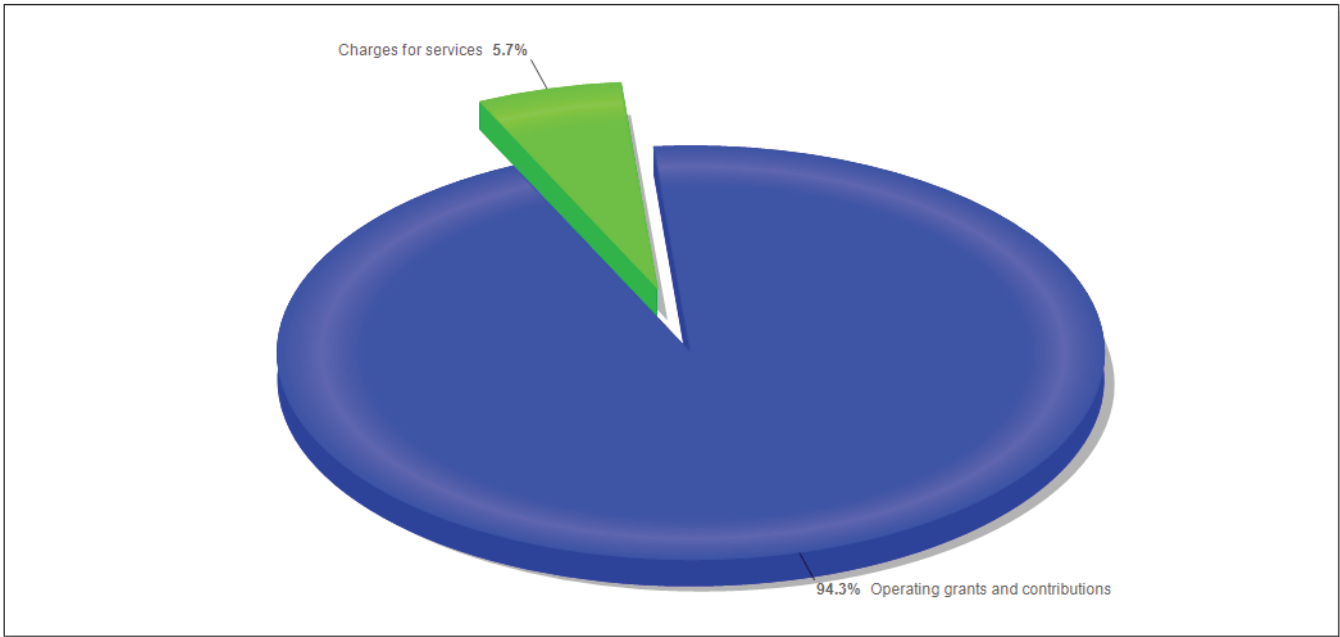


**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Sources of Revenues for Governmental Activities
Fiscal Year 2021**



**Sources of Revenues for Business-Type Activities
Fiscal Year 2021**



CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The tables below present the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activity). Providing this information allows residents within the District to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<u>Total Cost of Services</u>		<u>Percentage Change</u>
	<u>2021</u>	<u>2020</u>	
Instructional	\$ 10,178,499	\$ 9,640,797	5.6 %
Instructional student support	1,034,337	927,367	11.5 %
Administrative and financial support	1,787,063	1,548,336	15.4 %
Operation and maintenance of plant	1,251,945	1,220,351	2.6 %
Pupil transportation	891,271	853,739	4.4 %
Student activities	592,058	639,789	(7.5)%
Community service	60	60	- %
Refund of prior year receipts	-	89	(100.0)%
Interest on long-term debt	105,680	136,238	(22.4)%
Unallocated depreciation	553,172	626,121	(11.7)%
School lunch	533,345	448,052	19.0 %
Total expenses	<u>\$ 16,927,430</u>	<u>\$ 16,040,939</u>	5.5 %

	<u>Net Cost (Profit) of Services</u>		<u>Percentage Change</u>
	<u>2021</u>	<u>2020</u>	
Instructional	\$ 5,800,701	\$ 6,028,170	(3.8)%
Instructional student support	888,337	807,313	10.0 %
Administrative and financial support	1,537,074	1,333,265	15.3 %
Operation and maintenance of plant	1,109,834	1,074,312	3.3 %
Pupil transportation	891,271	853,739	4.4 %
Student activities	428,154	579,827	(26.2)%
Community service	60	60	- %
Refund of prior year receipts	-	89	(100.0)%
Interest on long-term debt	(172,662)	(142,307)	21.3 %
Unallocated depreciation	553,172	626,121	(11.7)%
School lunch	(19,183)	(87,529)	(78.1)%
Total net cost	<u>\$ 11,016,758</u>	<u>\$ 11,073,060</u>	(0.5)%

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Capital Assets

At June 30, 2021, the District had \$26,297,881 invested in land, buildings and improvements, and furniture and equipment. Depreciation expense of \$559,947 has been recorded for the year ended June 30, 2021, with an ending accumulated depreciation balance of \$15,788,442. The net book value of capital assets at June 30, 2021, was \$10,509,439. During the year ended June 30, 2021 the District underwent a complete physical inventory of capital assets. This resulted in a restatement of the beginning balance of capital assets in the amount of \$92,948. See note 17.

The table presented below displays the fiscal 2021 and 2020 balances for the major classes of assets:

Capital Assets (Net of Depreciation)
At June 30, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>	<u>Total Percentage Change</u>
Land	\$ 1,265,599	\$ 1,265,599	- %
Site improvements	963,345	1,071,534	(10.1)%
Buildings	8,121,341	8,528,537	(4.8)%
Vehicles	7,240	10,136	(28.6)%
Equipment, furniture and fixtures	<u>151,914</u>	<u>129,487</u>	17.3 %
Total	<u>\$ 10,509,439</u>	<u>\$ 11,005,293</u>	(4.5)%

Additional information on the District's capital assets can be found in Notes 1 and 7 on pages 25 and 33, respectively, of this report.

Long-Term Obligations

At June 30, 2021 and 2020, the District had total long-term obligations of \$29,463,360 and \$28,903,992, respectively. The District has maintained a credit rating of A from Standard and Poor's for the fiscal years ended June 30, 2021 and 2020. The table presented below displays the fiscal 2021 and 2020 balances for the long-term obligations:

Long-Term Obligations
At June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Total Percentage Change</u>
Bonds payable - net of premiums	\$ 4,084,722	\$ 4,779,458	(14.5)%
Compensated absences	203,252	187,132	8.6 %
Separately financed specific liabilities - OPEB	100	100	- %
Total OPEB liability - local	553,186	456,302	21.2 %
Net OPEB liability - proportionate share	1,035,000	1,021,000	1.4 %
Separately financed specific liabilities - pension	2,100	4,000	(47.5)%
Net pension liability - proportionate share	<u>23,585,000</u>	<u>22,456,000</u>	5.0 %
Total	<u>\$29,463,360</u>	<u>\$ 28,903,992</u>	1.9 %

Additional information on the District's long-term obligations can be found in Note 1, 8, 9 and 10 on pages 27 and 34 - 45 of this report.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Governmental Fund Analysis

Governmental fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$21,324,761 and \$16,903,711, and expenditures and other financing uses of \$20,998,135 and \$16,714,330 in 2021 and 2020, respectively. Overall fund balance for all governmental funds increased by \$326,626 in 2021, which represents a change of approximately 5.82%. The components of the change are as follows:

- The fund balance in the general fund increased by \$318,059, which represents a change of approximately 5.83%.
- Total revenues and other financing sources in the general fund increased by \$905,886 and total expenditures and other financing uses increased by \$776,646.
- The fund balance in the student sponsored activities fund increased by \$8,567, which represents a change of approximately 5.31%.

General Fund Budgetary Highlights

A budgetary comparison schedule for the District's general fund is presented as required supplementary information on page 49 of these financial statements. The District's budgetary policies are described on page 54 in the notes to required supplementary information.

Significant Variances Between Original and Amended Budget

Significant variances between the original and amended budget are described in the following paragraph. The table immediately following the District's analysis of the variances between the original and amended budget displays the variances as illustrated in the budgetary comparison schedule.

The District's budget for special programs, specifically with respect to tuition for cyber school students with special needs, was based on historical usage; however, COVID-19 forced an abnormal increase in cyber school participation, specifically with respect to students with special needs, causing the original budget to be increased by \$143,402.

The District budgets cyber school tuition in the budgetary reserve category with the annual goal of recruiting all cyber school students back to our brick and mortar school. To the extent that that goal is not met, cyber school tuition expenses are transferred out of the budgetary reserve and into the proper expense functions. This practice tends to show a large variance in the original to amended budgetary reserve function. As a result, \$413,309 was reclassified out of the budgetary reserve category and into the proper expense function for the year ended June 30, 2021.

Original to Amended At June 30, 2021				
	<u>Original</u>	<u>Amended</u>	<u>Variance</u>	
Expenditures and Other Uses				
Special programs	\$ 2,031,958	\$ 2,175,360	\$ 143,402	
Budgetary reserve	\$ 441,471	\$ 28,162	\$ (413,309)	

Significant Variances Between Amended Budget and Actual Results

Significant variances between the amended budget and actual results are described in the following paragraph. The table immediately following the District's analysis of the variances between the amended budget and actual results displays the variances as illustrated in the budgetary comparison schedule.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The District collected higher than anticipated earned income taxes as well as received a larger grant allocation for IDEA funding through BLaST Intermediate Unit #17 which caused actual local sources to be \$315,948 higher than the amended budget. State sources were \$339,861 higher than budget due to the fact that the District did not anticipate an increase in state funding and based the budget on prior year actuals to be conservative. In addition, the District was awarded funding through federal sources in excess of what was anticipated at the time of the budget causing actual federal sources to be \$249,716 higher than budget. The excess federal funding was a result of multiple waves of funding in response to the COVID-19 virus. Regular programs expenditures were lower than budget based on the creation of a District run cyber learning platform. This caused expenditures for Pennsylvania approved cyber charter schools for regular education students to decrease as compared to budget. Administration support services budget was underspent by \$115,382 due to the fact that the District budgeted conservatively for payroll and related social security and retirement costs. The District budgets their debt service payments in the general fund and not in interfund transfers causing variances for those expenditures compared to budget. Actual debt service payments transferred out of the general fund were lower than budget due to the refunding of the bond during 2020-2021 which lowered the debt service payments required for this fiscal year as compared to the prior year.

	Amended to Actual			
	At June 30, 2021			
	<u>Amended</u>	<u>Actual</u>	<u>Variance</u>	
Revenues and Other Sources				
Local sources	\$ 4,237,312	\$ 4,553,260	\$	315,948
State sources	\$ 10,998,799	\$ 11,338,660	\$	339,861
Federal sources	\$ 758,429	\$ 1,008,145	\$	249,716
Expenditures and Other Uses				
Regular programs	\$ 7,847,567	\$ 7,719,301	\$	128,266
Administration support services	\$ 1,119,798	\$ 1,004,416	\$	115,382
Debt service	\$ 925,799	\$ -	\$	925,799
Interfund transfers out	\$ -	\$ 869,633	\$	(869,633)

Economic Factors and Next Year's Budget

The general fund budget for the 2021-2022 school year was approved by the voters in the amount of \$19,047,974. This is an increase of 12.21% over the previous year's budget. The 2021-2022 budget is impacted by certain trends impacting school districts. These include increases in retirement contributions and health insurance costs. COVID-19 has caused unexpected costs which are expected to continue into 2021-2022 school year.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

During the year ended June 30, 2021 the District was awarded approximately \$1,257,000 in Education Stabilization Funding for Elementary and Secondary School Emergency Relief Funds to be spent between March 13, 2020 and September 30, 2023.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Canton Area School District
 Attn: Mr. Mark Jannone, Business Manager
 509 East Main Street
 Canton, Pennsylvania 17724

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 5,505,955	\$ 262,501	\$ 5,768,456
Taxes receivable	359,714	-	359,714
Due from other governments	741,384	6,958	748,342
Inventories	<u>-</u>	<u>5,135</u>	<u>5,135</u>
Total current assets	<u>6,607,053</u>	<u>274,594</u>	<u>6,881,647</u>
Other Assets			
Capital assets - net	10,452,075	57,364	10,509,439
Investments	<u>1,588,639</u>	<u>-</u>	<u>1,588,639</u>
Total other assets	<u>12,040,714</u>	<u>57,364</u>	<u>12,098,078</u>
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	3,364,684	57,145	3,421,829
Deferred outflows of resources - OPEB - local	124,943	2,122	127,065
Deferred outflows of resources - OPEB - proportionate share	<u>120,224</u>	<u>2,042</u>	<u>122,266</u>
Total deferred outflows of resources	<u>3,609,851</u>	<u>61,309</u>	<u>3,671,160</u>
Current Liabilities			
Internal balances	(149,578)	149,578	-
Accounts payable	133,265	14,958	148,223
Payroll accruals and withholdings	2,046,184	-	2,046,184
Accrued interest	10,238	-	10,238
Bonds payable - current portion - net of premiums	<u>840,592</u>	<u>-</u>	<u>840,592</u>
Total current liabilities	<u>2,880,701</u>	<u>164,536</u>	<u>3,045,237</u>
Long-Term Liabilities			
Compensated absences	199,021	4,231	203,252
Bonds payable - net of current portion and premiums	3,244,130	-	3,244,130
Separately financed specific liabilities - OPEB - proportionate share	98	2	100
Total OPEB liability - local	543,948	9,238	553,186
Net OPEB liability - proportionate share	1,017,715	17,285	1,035,000
Separately financed specific liabilities - pension	2,065	35	2,100
Net pension liability - proportionate share	<u>23,191,130</u>	<u>393,870</u>	<u>23,585,000</u>
Total long-term liabilities	<u>28,198,107</u>	<u>424,661</u>	<u>28,622,768</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	796,473	13,527	810,000
Deferred inflows of resources - OPEB - local	157,236	2,670	159,906
Deferred inflows of resources - OPEB - proportionate share	45,232	768	46,000
Advances on future period revenue	<u>-</u>	<u>6,770</u>	<u>6,770</u>
Total deferred inflows of resources	<u>998,941</u>	<u>23,735</u>	<u>1,022,676</u>
Net Position			
Net investment in capital assets	6,367,353	57,364	6,424,717
Restricted			
Restricted for scholarships	43,283	-	43,283
Unrestricted	<u>(16,230,767)</u>	<u>(277,029)</u>	<u>(16,507,796)</u>
Total net position	<u>\$ (9,820,131)</u>	<u>\$ (219,665)</u>	<u>\$ (10,039,796)</u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental activities							
Instructional	\$ 10,178,499	\$ 11,667	\$ 4,366,131	\$ -	\$ (5,800,701)	\$ -	\$ (5,800,701)
Instructional student support	1,034,337	-	146,000	-	(888,337)	-	(888,337)
Administrative and financial support	1,787,063	-	249,989	-	(1,537,074)	-	(1,537,074)
Operation and maintenance of plant	1,251,945	9,221	132,890	-	(1,109,834)	-	(1,109,834)
Pupil transportation	891,271	-	-	-	(891,271)	-	(891,271)
Student activities	592,058	-	163,904	-	(428,154)	-	(428,154)
Community service	60	-	-	-	(60)	-	(60)
Interest on long-term debt	105,680	-	-	278,342	172,662	-	172,662
Unallocated depreciation	553,172	-	-	-	(553,172)	-	(553,172)
Total governmental activities	<u>16,394,085</u>	<u>20,888</u>	<u>5,058,914</u>	<u>278,342</u>	<u>(11,035,941)</u>	<u>-</u>	<u>(11,035,941)</u>
Business-type activities							
School lunch fund	533,345	31,350	521,178	-	-	19,183	19,183
Total primary government	<u>\$ 16,927,430</u>	<u>\$ 52,238</u>	<u>\$ 5,580,092</u>	<u>\$ 278,342</u>	<u>(11,035,941)</u>	<u>19,183</u>	<u>(11,016,758)</u>
General Revenues							
Property taxes and other tax items					4,092,403	-	4,092,403
General purpose grants, subsidies and contributions					7,383,868	-	7,383,868
Earnings on investments					22,967	-	22,967
Miscellaneous income					149,306	-	149,306
Total general revenues					<u>11,648,544</u>	<u>-</u>	<u>11,648,544</u>
Changes in Net Position					<u>612,603</u>	<u>19,183</u>	<u>631,786</u>
Net Position - Beginning - as Previously Stated					(10,550,491)	(237,204)	(10,787,695)
Cumulative Effect of Change in Accounting Principle (See Note 17)					209,061	-	209,061
Restatement (See Note 17)					<u>(91,304)</u>	<u>(1,644)</u>	<u>(92,948)</u>
Net Position - Beginning - as Restated					<u>(10,432,734)</u>	<u>(238,848)</u>	<u>(10,671,582)</u>
Net Position - Ending					<u>\$ (9,820,131)</u>	<u>\$ (219,665)</u>	<u>\$ (10,039,796)</u>

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

CANTON AREA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Student Sponsored Activities Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 5,335,946	\$ -	\$ 170,009	\$ 5,505,955
Investments	1,588,639	-	-	1,588,639
Taxes receivable	359,714	-	-	359,714
Due from other funds	149,578	-	-	149,578
Due from other governments	<u>741,384</u>	<u>-</u>	<u>-</u>	<u>741,384</u>
Total Assets	<u>\$ 8,175,261</u>	<u>\$ -</u>	<u>\$ 170,009</u>	<u>\$ 8,345,270</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 133,265	\$ -	\$ -	\$ 133,265
Payroll accruals and withholdings	<u>2,046,184</u>	<u>-</u>	<u>-</u>	<u>2,046,184</u>
Total liabilities	<u>2,179,449</u>	<u>-</u>	<u>-</u>	<u>2,179,449</u>
Deferred Inflows of Resources				
Unearned revenue	<u>224,492</u>	<u>-</u>	<u>-</u>	<u>224,492</u>
Fund Balances				
Restricted				
Reserve for scholarships	43,283	-	-	43,283
Assigned				
Reserve for subsequent year	1,299,900	-	-	1,299,900
Reserve for PSERS/health insurance	2,900,154	-	-	2,900,154
Reserve for student sponsored activities	-	-	170,009	170,009
Unassigned	<u>1,527,983</u>	<u>-</u>	<u>-</u>	<u>1,527,983</u>
Total fund balances	<u>5,771,320</u>	<u>-</u>	<u>170,009</u>	<u>5,941,329</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,175,261</u>	<u>\$ -</u>	<u>\$ 170,009</u>	<u>\$ 8,345,270</u>

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

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

Total Governmental Fund Balances		\$ 5,941,329
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consisted of the following:</p>		
Capital assets - not depreciated		
Land		1,265,599
Capital assets - net of depreciation		
Site improvements	\$ 2,742,307	
Buildings	21,538,803	
Vehicles	47,469	
Equipment, furniture and fixtures	<u>427,401</u>	
Total depreciable capital assets	24,755,980	
Less, accumulated depreciation	<u>(15,569,504)</u>	
Total depreciable capital assets - net of depreciation		9,186,476
<p>Long-term liabilities that are not due and payable in the current period are not reported in the funds. These liabilities consist of the following:</p>		
Bonds payable - net of premium	(4,084,722)	
Accrued interest	(10,238)	
Compensated absences	<u>(199,021)</u>	
Total liabilities		(4,293,981)
<p>Property taxes receivable not considered available for current operations are deferred inflows of resources in the government funds but recognized as revenue in the statement of activities.</p>		
		224,492
<p>Pension and OPEB liabilities and deferred inflows and outflows are not reported in governmental funds. These consist of the following:</p>		
Deferred outflows of resources - pensions	3,364,684	
Deferred inflows of resources - pensions	(796,473)	
Separately financed specific liabilities - pension	(2,065)	
Net pension liability - proportionate share	(23,191,130)	
Total OPEB liability - local	(543,948)	
Net OPEB liability - proportionate share	(1,017,715)	
Deferred outflows of resources - OPEB - local	124,943	
Deferred outflows of resources - OPEB - proportionate share	120,224	
Deferred inflows of resources - OPEB - local	(157,236)	
Deferred inflows of resources - OPEB - proportionate share	(45,232)	
Separately financed specific liabilities - OPEB - proportionate share	<u>(98)</u>	
Total pension and OPEB related items		<u>(22,144,046)</u>
Net Position of Governmental Activities		\$ <u>(9,820,131)</u>

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Student Sponsored Activities Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 4,553,260	\$ 5,439	\$ 127,841	\$ 4,686,540
State sources	11,338,660	-	-	11,338,660
Federal sources	<u>1,008,145</u>	<u>-</u>	<u>-</u>	<u>1,008,145</u>
Total revenues	<u>16,900,065</u>	<u>5,439</u>	<u>127,841</u>	<u>17,033,345</u>
Other Financing Sources				
Proceeds from refunding of bonds	-	3,290,000	-	3,290,000
Premiums on obligations	-	131,783	-	131,783
Interfund transfers in	<u>-</u>	<u>869,633</u>	<u>-</u>	<u>869,633</u>
Total revenues and other financing sources	<u>16,900,065</u>	<u>4,296,855</u>	<u>127,841</u>	<u>21,324,761</u>
Expenditures				
Instructional	10,329,906	-	-	10,329,906
Instructional student support	1,051,803	-	-	1,051,803
Administrative and financial support	1,706,247	83,247	-	1,789,494
Operation and maintenance of plant	1,256,232	-	-	1,256,232
Pupil transportation	891,271	-	-	891,271
Student activities	476,854	-	119,274	596,128
Community service	60	-	-	60
Debt service	<u>-</u>	<u>875,072</u>	<u>-</u>	<u>875,072</u>
Total expenditures	<u>15,712,373</u>	<u>958,319</u>	<u>119,274</u>	<u>16,789,966</u>
Other Financing Uses				
Payment to bond escrow agent	-	3,338,536	-	3,338,536
Interfund transfers out	<u>869,633</u>	<u>-</u>	<u>-</u>	<u>869,633</u>
Total expenditures and other financing uses	<u>16,582,006</u>	<u>4,296,855</u>	<u>119,274</u>	<u>20,998,135</u>
Change in Fund Balances	<u>318,059</u>	<u>-</u>	<u>8,567</u>	<u>326,626</u>
Fund Balances - Beginning, as Previously Stated	5,405,642	-	-	5,405,642
Restatement - Change in Accounting Principle (See Note 17)	<u>47,619</u>	<u>-</u>	<u>161,442</u>	<u>209,061</u>
Fund Balances - Beginning, as Restated	<u>5,453,261</u>	<u>-</u>	<u>161,442</u>	<u>5,614,703</u>
Fund Balances - Ending	<u>\$ 5,771,320</u>	<u>\$ -</u>	<u>\$ 170,009</u>	<u>\$ 5,941,329</u>

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

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

Net Change in Fund Balance - Total Governmental Funds	\$	326,626
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:		
Capital outlay	\$ 64,093	
Depreciation expense	<u>(553,172)</u>	
Total capital outlay, disposals and depreciation expense		(489,079)
Proceeds from the refunding of debt are reported as an other financing source in the governmental fund statements. Similarly, repayment from the refunding of debt is an other financing use in the governmental fund statements. These items are long-term liabilities on the statement of net position.		
Proceeds from the refunding of debt	(3,290,000)	
Repayment of refunded debt	<u>3,295,927</u>	
Total proceeds and repayment from refunding		5,927
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term debt in the statement of net position. In the current period, this amounted to the following:		
Bond repayments - principal		795,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:		
Change in compensated absences		(16,137)
Change in other postemployment benefits liability and related items - local		(30,283)
Change in other postemployment benefits liability and related items - proportionate share		17,719
Deferred refunding proceeds are expensed in the governmental funds but capitalized and amortized in the statements of net position:		
Amortization of deferred refunding proceeds		(14,247)
Debt premiums are expensed in the governmental funds but shown net in bonds payable and amortized in the statement of net position:		
Premium on refunding of debt		(131,783)
Amortization of bond premiums		25,592
Changes in the proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
		144,269
Other differences:		
Change in unavailable revenues from property taxes	(26,657)	
Change in accrued interest	<u>5,656</u>	
Total other differences		<u>(21,001)</u>
Change in Net Position of Governmental Activities	\$	<u><u>612,603</u></u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2021

	School Lunch Fund
Current Assets	
Cash and cash equivalents	\$ 262,501
Due from other governments	6,958
Inventories	<u>5,135</u>
Total current assets	<u>274,594</u>
Capital Assets - Net	<u>57,364</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	57,145
Deferred outflows of resources - OPEB - local	2,122
Deferred outflows of resources - OPEB - proportionate share	<u>2,042</u>
Total deferred outflows of resources	<u>61,309</u>
Current Liabilities	
Accounts payable	14,958
Due to other funds	<u>149,578</u>
Total current liabilities	<u>164,536</u>
Long-Term Liabilities	
Compensated absences	4,231
Separately financed specific liabilities - OPEB - proportionate share	2
Total OPEB liability - local	9,238
Net OPEB liability - proportionate share	17,285
Separately financed specific liabilities - pension	35
Net pension liability - proportionate share	<u>393,870</u>
Total long-term liabilities	<u>424,661</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	13,527
Deferred inflows of resources - OPEB - local	2,670
Deferred inflows of resources - OPEB - proportionate share	768
Advances on future period revenues	<u>6,770</u>
Total deferred inflows of resources	<u>23,735</u>
Net Position	
Net investment in capital assets	57,364
Unrestricted	<u>(277,029)</u>
Total net position	<u>\$ (219,665)</u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	School Lunch Fund
Operating Revenues	
Charges for services	\$ <u>31,350</u>
Operating Expenses	
Salaries and benefits	214,192
Services and supplies	307,507
Repairs and maintenance	4,871
Depreciation	<u>6,775</u>
Total operating expenses	<u>533,345</u>
Operating Loss	<u>(501,995)</u>
Nonoperating Revenues	
State sources	42,646
Federal sources	<u>478,532</u>
Total nonoperating revenues	<u>521,178</u>
Change in Net Position	<u>19,183</u>
Net Position - Beginning, as Previously Stated	(237,204)
Restatement (See Note 17)	<u>(1,644)</u>
Net Position - Beginning, as Restated	<u>(238,848)</u>
Net Position - Ending	<u>\$ (219,665)</u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	School Lunch Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 23,763
Payments to suppliers	(297,104)
Payments to employees	(79,649)
Net cash flows from operating activities	<u>(352,990)</u>
Cash Flows from Noncapital Financing Activities	
State sources	42,367
Federal sources	519,628
Net cash flows from noncapital financing activities	<u>561,995</u>
Change in Cash and Cash Equivalents	209,005
Cash and Cash Equivalents - Beginning	<u>53,496</u>
Cash and Cash Equivalents - Ending	<u>\$ 262,501</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating loss	\$ (501,995)
Adjustments	
Depreciation expense	6,775
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Inventories	7,164
Accounts payable	8,110
Due to other funds	134,496
Advances on future period revenues	(7,587)
Compensated absences	(17)
Other current or noncurrent liabilities	64
Net Cash Flows from Operating Activities	<u>\$ (352,990)</u>

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

District Overview

The Canton Area School District (the District) is located in Bradford, Lycoming and Tioga Counties in the northeastern section of the Commonwealth of Pennsylvania, with the Borough of Canton as the center of the District. The Borough of Canton is approximately 40 miles north of the city of Williamsport, Pennsylvania and 35 miles south of the city of Elmira, New York. The Canton Area School District includes the Borough of Canton and the Townships of Canton and LeRoy in Bradford County; the Townships of McIntyre and McNett in Lycoming County; and the Township of Union in Tioga County. The District is comprised of two schools, the Canton Area Elementary School and the Canton Jr/Sr High School.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 80, *Blending Requirement for Certain Component Units - an Amendment of GASB Statement No. 14*, the District has reviewed and evaluated its relationship with various agencies to determine if these agencies should be included in the annual financial statements of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria set forth in GASB Statements No. 14, No. 61 and No. 80, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the District's reporting entity.

- ◆ BLaST Intermediate Unit # 17
- ◆ Bradford County Tax Collection Committee
- ◆ Northern Tier Insurance Consortium
- ◆ Northern Tier Career Center

There were no situations in which the District designates management of an entity or where the District was able to significantly influence operations of an entity. The District does not solely fund deficits or receive the surplus funds of any other entity. There is no outstanding debt that is an obligation solely of the District, and the District does not contribute to a significant part of any other entity's revenues. The District is responsible for its proportionate share of the Northern Tier Career Center's ("NTCC") debt, along with other member districts of the Northern Tier Career Center. The NTCC is therefore considered a joint venture. Based on the above criteria, the District has not included any of the entities listed above in the District's annual financial statements. These entities are considered separate legal entities and are responsible for their own independent audits. Separately issued financial statements of these entities can be obtained from their respective administrative offices:

BlaST Intermediate Unit # 17
33 Springbrook Drive
Canton, Pennsylvania 17724

Bradford County Tax Collection Committee
301 Main St
Towanda, Pennsylvania 18848

Northern Tier Insurance Consortium
33 Springbrook Drive
Canton, Pennsylvania 17724

Northern Tier Career Center
120 Career Center Lane
Towanda, Pennsylvania 18848

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District complies with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. The District also complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. The District's most significant accounting policies to the financial statements are described in the following paragraphs.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities. Eliminations have been made to minimize double-counting of internal activities. Governmental activities, which are supported primarily through governmental subsidies and taxes, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are allocated among the programs, functions and segments using a full cost allocation approach and are combined with direct expenses activity.

Program revenues include (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (2) grants and contributions that are restricted to meeting the operational requirements of a particular function and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function.

General revenues include taxes and other revenues not specifically identifiable with a particular program or function of the District.

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the District and attaining certain objectives in accordance with special regulations, restrictions or limitations. The emphasis of fund financial statements is on major funds, each of which are displayed in a separate column. All remaining funds are aggregated and reported as total nonmajor funds. There are two categories of funds: governmental and proprietary. The District currently does not have any fiduciary funds

Governmental Funds - Governmental funds are funds through which most governmental functions are financed. The District has three major governmental funds which are the general fund, the student sponsored activities fund and the debt service fund. The general fund is the principal operating fund and includes all operations not required to be recorded in other funds. The student sponsored activities fund accounts for student activities. The debt service fund accounts for accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

Proprietary Fund - The proprietary fund is used to account for ongoing activities which are similar to those often found in the private sector. The District's only proprietary fund is the school lunch fund. The school lunch fund accounts for activities that are usually self-sustaining, all or in part, through user charges for services rendered.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from producing and delivering goods, and providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual Basis - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means that all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations (whether current or non-current) of the District are included in the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position.

Modified Accrual Basis - The governmental fund financial statements are accounted for using the modified accrual basis of accounting and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to finance any of the liabilities of the current period. For the District, available means expected to be received within sixty days of year end. With this measurement focus only current assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the balance sheet. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Reconciliations accompany the governmental fund financial statements to reconcile and explain the differences between fund balances and changes in fund balances, as presented in the fund financial statements, and net position and changes in net position, as presented in the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Cash and Cash Equivalents

For purposes of reporting in the statements of net position, the balance sheet and the statement of cash flows, the District includes all cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less in cash and cash equivalents. The District may invest excess cash in certificates of deposit with high credit quality financial institutions.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Investments

The District's investment policy and the Pennsylvania School Code establish criteria for the type of investments that can be held by the District. Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. Investments in marketable equity securities with readily determinable fair values are stated at fair value.

Investment income and changes in the fair value of investments are recorded as earning on investments in the government-wide statement of activities, and as local sources in the fund financial statements statement of revenues, expenditures and changes in fund balance.

The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*. The primary objective of the Statement is to improve the usefulness of information about investments included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. See Note 3 for the financial statement impact of the Statement.

Taxes Receivable

Taxes receivable consisted of property taxes levied and uncollected as of year end for the current property tax levy and any previous year's property tax levy. Taxes receivable also included earned income taxes earned, but not collected as of year end. The allowance for uncollectible taxes is estimated based on management's evaluation of taxpayers with outstanding balances and their history with the taxpayer. Management has reviewed delinquent taxes receivables and concluded the losses from uncollectible accounts are immaterial to the financial statements as a whole, and therefore, there is no allowance for uncollectible taxes recorded.

Internal Balances

Short-term interfund receivables and payables are classified as current assets and liabilities in the fund financial statements. Short-term interfund receivables and payables between governmental activities and business-type activities are netted on the government-wide statement of net position.

Due from Other Governments

The District reports amounts as due from other governments, which consist of funds claimed but not received from various federal, state and other governmental agencies.

Inventories

Inventories are valued at cost, or fair value if donated, using the first-in/first-out ("FIFO") method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are reported in the governmental activities column on the government-wide statement of net position but are reported as expenditures in the governmental fund financial statements. Capital assets purchased and used by the proprietary fund are recorded in both the business-type activities column in the government-wide statement of net position and in the respective proprietary fund financial statement of net position.

The District has established a capital asset policy which defines capital assets and establishes criteria for capitalization and depreciation. Capital assets are recorded at historical cost for purchased or constructed assets and at estimated fair market value for donated assets. The District's capitalization policy also establishes a capitalization threshold, which defines the dollar threshold for capitalizing assets and a useful-life range for each capital asset class. All capital assets are depreciated, with the exception of construction in progress and land. Depreciation is calculated using the straight-line method. Capital assets, which include land, construction in progress, site improvements, buildings, library and textbooks, vehicles, and equipment, furniture and fixtures are reported in the government-wide statement of net position.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All assets	N/A
Site improvements	\$2,500	20
Buildings	\$2,500	40
Vehicles	\$2,500	8
Equipment, furniture and fixtures	\$2,500	10-15

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are reported on the government-wide financial statements in their entirety. Governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred.

Unavailable Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 60 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unavailable revenues from property taxes that were recorded in the governmental funds for resources that are earned but not available are recorded as revenue in the government-wide statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The District reports deferred outflows of resources related to the OPEB plans and the pension plan in the district-wide statement of net position. The types of deferred outflows of resources related to the OPEB plans and pension plan are described in Notes 9 and 10, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to cash received before the related revenue is earned and is reported as deferred revenue. The District also reports deferred inflows of resources related to the OPEB plans and pension plan which are further described in Notes 9 and 10, respectively.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts result from a difference between the debt amount to be repaid by the District and the amount of proceeds received by the District. Bond premiums and discounts are amortized as a component of interest expense over the life of the debt obligation using the straight line method. Deferred gains or losses on refundings of debt result from the difference between the reacquisition price and the net carrying amount of the old debt. Deferred gains or losses on refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter using the straight line method. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, and deferred gains or losses on refundings of debt in the current period. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Bonds are presented net of remaining premiums and discounts on the statement of net position.

Accounting and Financial Reporting for Pensions

The District complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the District to report as a liability its portion of the collective pension liability in the Commonwealth of Pennsylvania Public School Employees' Retirement System ("PSERS"). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow of resources for the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow of resources is the District contributions to the pension systems subsequent to the measurement date.

The District complies with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objective of the Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement clarifies certain provisions with regard to the accounting and financial reporting for separately financed specific liabilities for defined benefit plans.

Accounting and Financial Reporting for Post Employment Benefits

The District complies with the provisions of GASB Statement No. 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Compensated Absences, Vacation and Sick Leave

Vested compensated absences are accrued in proprietary fund types as they are earned by employees. Compensated absences related to governmental activities are accrued in the government-wide financial statements as they are earned by the employees and accrued in the governmental fund financial statements when payable from current financial resources. Employees of the District are entitled to paid sick and personal days depending on job classification, length of service and other factors. The District has calculated the accumulated sick days for each employee based on an agreed-upon amount of \$30 per day. Certain employees are also entitled to payment for all earned vacation days at termination or retirement at each employee's current rate.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Net Position and Fund Balance

Government-wide Financial Statements - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Net position in the statement of net position includes the following:

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt and bond premiums. Unspent bond proceeds are excluded. Net investment in capital assets amounted to \$6,424,717 for the primary government as of June 30, 2021.

Restricted - The component of net position that reports amounts restricted for scholarship programs for students. Restricted net position amounted to \$43,283 for the primary government as of June 30, 2021.

Unrestricted - The difference between the assets and deferred outflows of resources and the liabilities and deferred inflows of resources that is not reported as restricted or net investment in capital assets. This amounted to a deficit of \$16,507,796 for the primary government as of June 30, 2021.

Governmental Fund Financial Statements - In the governmental fund financial statements, the District reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.

Restricted Fund Balance - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education.

Assigned Fund Balance - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority. For the purposes of the District, the Board of Education has delegated authority to the Business Manager.

Unassigned Fund Balance - amounts that are available for any purpose.

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District establishes and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Business Manager is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the Business Manager is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The following is a summary of the District's fund balance classifications and categories within those classifications held at the fiscal year ended June 30, 2021:

Restricted

Restricted for Scholarships- Reserve for scholarships is used to account for the specific funds that are restricted for scholarship programs for students. The balance at June 30, 2021 was \$43,283.

Assigned

Reserve for Subsequent Year - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2021, was \$1,299,900.

Reserve for PSERS/Health Insurance - Reserve for PSERS/Health Insurance represents assigned funds used to finance the employer portion of future retirement and health insurance payments for the District. This amounted to \$2,900,154 for all governmental funds as of June 30, 2021.

Reserve for Student Sponsored Activities - Reserve for student sponsored activities represents assigned funds used to finance future student sponsored activities. This amounted to \$170,009 for all governmental funds as of June 30, 2021.

Unassigned

Unassigned - Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$1,527,983 for all governmental funds as of June 30, 2021.

Property Taxes

The District levies property taxes based on the assessed value of the real estate within the District's borders. The assessed values are determined by the counties in which the District resides. The District levies the tax each July 1, the discount period ends August 31, face period ends October 31 and the penalty period ends December 31. Uncollected taxes at December 31 are turned over to the applicable County for collection and liens are placed against the property by the applicable County.

Interfund Transfers

Interfund transfers are reported as other financing sources and uses in governmental funds. These internal balances are reported as nonoperating revenues and expenses in the proprietary fund.

Exchange transactions between funds are reported as revenues in the seller funds, and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as an interfund transfer.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 2. Cash and Cash Equivalents

Carrying amounts of cash and cash equivalents as of June 30, 2021, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$ 5,505,955
Cash and cash equivalents - school lunch fund, statement of net position	<u>262,501</u>
Total cash and cash equivalents	<u>\$ 5,768,456</u>

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized with securities held by the District's agent in the District's name, (2) uninsured, and for which the securities are held by the financial institution or its trust department in the District's name, or (3) uncollateralized.

At June 30, 2021, the bank balance of deposits held was \$5,771,129. Financial institutions used by the District are required to secure deposits of all "public bodies" with a pledge of collateral in accordance with Pennsylvania Pledge Act 72 (72 P.S. Section 3836-1 et seq.). Therefore, all of the District's deposits were deemed to be fully collateralized at June 30, 2021.

Accounts covered by FDIC insurance coverage for a government unit are insured up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and up to \$250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing).

Note 3. Investments

The District's investment policy and the Pennsylvania School Code establish criteria for the type of investments that can be held by the District. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of Pennsylvania or its localities.

Carrying amounts of investments as of June 30, 2021, appear in the financial statements as summarized below:

Investments - governmental funds, balance sheet	\$ <u>1,588,639</u>
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Investments measured at cost plus accrued interest

The District invest cash in excess of its immediate needs in certificates of deposit with high credit quality financial institutions. Non negotiable certificates of deposit are valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments. Investments in non negotiable certificates of deposit consisted of the following at June 30, 2021:

<u>Fund</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Original Maturity</u>
General fund	\$ 1,588,639	.50 %	24-35 months

The certificate is subject to a fixed interest rate at .50% and has original maturity of twenty-four to thirty-five months, with penalties for early withdrawal. Any penalties would not have a material effect on the financial statements.

Interest Rate Risk - In accordance with its investment policy, the District manages its exposure by requiring the individual responsible for the investments to report monthly on the following:

1. Amount of funds invested
2. Interest earned and received to date.
3. Types and amounts of each investment and the interest rate of each.
4. Names of the institutions where investments are placed
5. Current market value of the funds invested.
6. Other information required by the Board of Education.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Credit Risk - The District's investment policy states that the District is to only invest in authorized instruments that are backed by the "full faith and credit" of the federal or state government and those that are limited to those with the highest credit rating available for such instruments issued by a recognized organization. If, after purchase, the rating of any instrument is reduced and is no longer in compliance with this policy, the individual responsible for the District's investments shall advise the Board of Education at the earliest opportunity of such action and make recommendations for altering investments.

Concentration of Credit Risk - The District's investment policy places no limit on the amount the District may invest in any one issuer. However, the District's investment policy calls for portfolio diversification. The Board of Education is to receive notification upon any concentration of investments.

Section 440.01 of the Pennsylvania School Code authorizes the District to invest in the following:

- United States treasury bills;
- Short-term obligations of the United States government or its agencies. Short-term obligations usually refer to investments of less than 13 months.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation, or
 3. The National Credit Union Share Insurance Fund.
- Collateral, as provided by law, shall be pledged by the depository against any remaining uninsured balance.
- Obligations of the United States of America or any of its agencies or instruments backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. Full faith and credit means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation powers of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mac (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing.
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided that the following are met:
 1. The only investments of that company are in the authorized investments for school district funds listed in the categories above, and repurchase agreements fully collateralized by such investments.
 2. The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds).
 3. The investment company is rated in the highest category by a nationally recognized rating agency.

The District's investment policy prohibits the District from investing in foreign currency and would not have any related risk that would require disclosure pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Note 4. Taxes Receivable

Taxes receivable consisted of the following at June 30, 2021:

<u>Description</u>	<u>Amount</u>
Property taxes receivable	\$ 268,024
Earned income taxes receivable	91,690
Total	<u>\$ 359,714</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 5. Due from Other Governments

The District reports amounts as due from other governments, which consists of funds claimed but not received from various state, federal and other governmental agencies. The District believes that all amounts due from other governments are fully collectible, therefore no allowance for doubtful accounts has been recorded. Due from other governments consisted of the following at June 30, 2021:

<u>Description</u>	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
State receivables	\$ 571,967	\$ 279	\$ 572,246
Federal receivables	<u>169,417</u>	<u>6,679</u>	<u>176,096</u>
Total	<u>\$ 741,384</u>	<u>\$ 6,958</u>	<u>\$ 748,342</u>

Note 6. Internal Balances

Internal balances for each fund of the primary government were comprised of the following at June 30, 2021:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 149,578	\$ -
School lunch fund	<u>-</u>	<u>149,578</u>
Total	<u>\$ 149,578</u>	<u>\$ 149,578</u>

Internal balances of the District are utilized to:

- (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them
- (2) move expenditures from chargeable funds to a single fund for disbursement and
- (3) compensate for the time lag between the dates interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

Interfund transfers for each fund of the primary government were comprised of the following at June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 869,633
Debt service fund	<u>869,633</u>	<u>-</u>
Total	<u>\$ 869,633</u>	<u>\$ 869,633</u>

Interfund transfers of the District are utilized to pay debt principal and interest on bonds payable.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 7. Capital Assets

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

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ <u>1,265,599</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,265,599</u>
Capital Assets Depreciated				
Site improvements	2,742,307	-	-	2,742,307
Buildings	21,538,803	-	-	21,538,803
Vehicles	47,469	-	-	47,469
Equipment, furniture and fixtures	<u>498,654</u>	<u>64,093</u>	<u>(135,346)</u>	<u>427,401</u>
Total capital assets depreciated	<u>24,827,233</u>	<u>64,093</u>	<u>(135,346)</u>	<u>24,755,980</u>
Less - Accumulated Depreciation				
Site improvements	1,670,773	108,189	-	1,778,962
Buildings	13,010,266	407,196	-	13,417,462
Vehicles	37,333	2,896	-	40,229
Equipment, furniture and fixtures	<u>433,306</u>	<u>34,891</u>	<u>(135,346)</u>	<u>332,851</u>
Total accumulated depreciation	<u>15,151,678</u>	<u>553,172</u>	<u>(135,346)</u>	<u>15,569,504</u>
Total capital assets depreciated - net	<u>9,675,555</u>	<u>(489,079)</u>	<u>-</u>	<u>9,186,476</u>
Governmental Activities Capital Assets - Net	<u>\$ 10,941,154</u>	<u>\$ (489,079)</u>	<u>\$ -</u>	<u>\$ 10,452,075</u>
	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Depreciated				
Equipment	\$ 276,302	\$ -	\$ -	\$ 276,302
Less - Accumulated Depreciation				
Equipment	<u>212,163</u>	<u>6,775</u>	<u>-</u>	<u>218,938</u>
Business-Type Activities Capital Assets - Net	<u>\$ 64,139</u>	<u>\$ (6,775)</u>	<u>\$ -</u>	<u>\$ 57,364</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Unallocated depreciation	\$ <u>553,172</u>
Business-Type Activities	
School lunch fund	\$ <u>6,775</u>

The District underwent a complete physical inventory of capital assets during the year ended June 30, 2021. This resulted in a restatement to the beginning balance of capital assets in the amount of \$92,948. See Note 17.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 8. Long-Term Obligations

Summary of Long-Term Obligations

A summary of government-wide long-term debt is detailed in the following schedule as of June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 4,765,927	\$ 3,290,000	\$ 4,090,927	\$ 3,965,000	\$ 815,000
Plus, bond premium	13,531	131,783	25,592	119,722	25,592
Compensated absences	187,132	16,120	-	203,252	-
Separately financed specific liabilities - OPEB - proportionate share	100	-	-	100	-
Total OPEB liability - local	456,302	96,884	-	553,186	-
Net OPEB liability - proportionate share	1,021,000	14,000	-	1,035,000	-
Separately financed specific liabilities - pension	4,000	-	1,900	2,100	-
Net pension liability - proportionate share	<u>22,456,000</u>	<u>1,129,000</u>	<u>-</u>	<u>23,585,000</u>	<u>-</u>
	<u>\$28,903,992</u>	<u>\$ 4,677,787</u>	<u>\$ 4,118,419</u>	<u>\$29,463,360</u>	<u>\$ 840,592</u>

Bonds Payable

The District borrows money in order to acquire land and equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide statement of net position.

The District had the following serial bonds outstanding as of June 30, 2021:

<u>Purpose</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bonds, Series 2012	05/2027	2.00-4.20%	\$ 480,927	\$ -	\$ 480,927	\$ -
Serial Bonds, Series 2014	05/2022	2.00-2.35%	1,470,000	-	725,000	745,000
Serial Bonds, Series 2015	05/2026	2.73%	2,815,000	-	2,815,000	-
Serial Bonds, Series 2020	05/2027	2.00%	-	3,290,000	70,000	3,220,000
Plus, bond premium			<u>13,531</u>	<u>131,783</u>	<u>25,592</u>	<u>119,722</u>
Total bonds payable - net of premiums			<u>\$ 4,779,458</u>	<u>\$ 3,421,783</u>	<u>\$ 4,116,519</u>	<u>\$ 4,084,722</u>

Maturities of Bonds Payable

The annual aggregate maturities for bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 815,000	\$ 81,908	\$ 896,908
2023	775,000	63,000	838,000
2024	805,000	47,500	852,500
2025	820,000	31,400	851,400
2026	695,000	15,000	710,000
2027	<u>55,000</u>	<u>1,100</u>	<u>56,100</u>
Total	<u>\$ 3,965,000</u>	<u>\$ 239,908</u>	<u>\$ 4,204,908</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

General Obligation Series of 2012 - On June 13, 2012, the District issued General Obligation Bonds, Series of 2012, in the amount of \$1,000,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2007 and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2012 bonds were currently refunded with the issuance of the Series of 2020 bonds during the year ended June 30, 2021.

General Obligation Series of 2014 - On September 4, 2014, the District issued General Obligation Bonds, Series of 2014, in the amount of \$5,040,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2009A and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2014 bonds will mature on May 15, 2022.

General Obligation Series of 2015 - On September 15, 2015, the District issued a General Obligation Note, Series of 2015, in the amount of \$2,865,000. Proceeds, and an additional \$500,000, were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2010A and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2015 bonds were currently refunded with the issuance of the Series of 2020 bonds during the year ended June 30, 2021.

General Obligation Series of 2020 - On August 26, 2020, the District issued a General Obligation Bonds, Series of 2020, in the amount of \$3,290,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2012 and Series 2015 and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2020 bonds will mature on May 15, 2027.

In the event the District defaults in the payment of the principal of or the interest on any of the bonds after the same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for 30 days, or if the District fails to comply with any provision of the bonds or the resolution, the law provides that the holders of 25% in aggregate principal amount of the bonds then outstanding may, upon appropriate action, appoint a trustee, who may be the paying agent, to represent the bondholders. The trustee may, and upon request of the holders of 25% in principal amount of the bonds then outstanding and upon being furnished with indemnity satisfactory to it shall, take such action on behalf of the bondholders as is more specifically set forth in the law. Such representation by the trustee shall be exclusive.

Bond Refunding

During the 2020-2021 fiscal year, the District issued \$3,290,000 in general obligation refunding bonds with an interest rate of 2.00% to currently refund \$3,295,927 of outstanding Series 2012 and Series 2015 notes with an interest rate between 2.00% and 4.20%. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding totaled approximately \$114,000. An economic gain (difference between the present value of the old debt and the new debt service payments) of approximately \$15,000 resulted from refunding.

Interest Expense

For the year ended June 30, 2021, the components of interest expense include the following:

Interest paid	\$ 122,681
Less: interest accrued in the prior year	(15,894)
Add: interest accrued in the current year	10,238
Less: amortization of premium	(25,592)
Add: amortization of deferred refunding	<u>14,247</u>
Total interest expense	<u>\$ 105,680</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 9. Other Postemployment Benefits Liability

Local Portion

Plan Description and Benefits - The District pays for a portion of eligible retirees' health insurance, depending on eligibility. Eligibility for postretirement benefits is based on age of retiree and years of service and depends upon the associated group or union. The District contributes to the Northern Tier Insurance Consortium Health Care Plan (the Plan), a multiple employer defined benefit healthcare plan administered by Highmark Insurance Group. The Plan provides medical benefits to active and retired employees of the District. All employees are eligible for benefits upon retirement with 30 years of PSERS service or upon superannuation retirement. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

Employees Covered by Benefit Terms - At June 30, 2021, the following employees were covered by the benefit terms:

Participant Data	
Active participants	112
Vested former participants	-
Retired participants	<u>3</u>
Total	<u>115</u>

Total Local OPEB Liability - The District's total local OPEB liability of \$553,186 was measured as of July 1, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Methods and Assumptions - Local - The total local OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal, as a level percent of salary
Salary scale increases	2.50%
Discount rate	1.86%
Healthcare cost trend rate	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2020. Mortality rates were projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The following table shows the changes to the total OPEB liability:

	Governmental Activities	Business-type Activities	Total
Total OPEB liability as of July 1, 2020	\$ 448,727	\$ 7,575	\$ 456,302
Changes for the year:			
Service cost	30,476	563	31,039
Interest	15,929	271	16,200
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	58,235	989	59,224
Benefit payments	<u>(9,419)</u>	<u>(160)</u>	<u>(9,579)</u>
Net changes	<u>95,221</u>	<u>1,663</u>	<u>96,884</u>
Total OPEB liability as of June 30, 2021	<u>\$ 543,948</u>	<u>\$ 9,238</u>	<u>\$ 553,186</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

The following presents the District's net OPEB liability calculated using the discount rate of 1.86% per annum (the "current rate"), as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (0.86%) or 1% point higher (2.86%) than the current rate:

	1% Decrease <u>(0.86%)</u>	Current Assumption <u>(1.86%)</u>	1% Increase <u>(2.86%)</u>
Total Local OPEB Liability	\$ 592,986	\$ 553,186	\$ 515,092

Sensitivity of the total Net OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the local OPEB liability calculated using the healthcare cost trend rate, as well as what the local OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Assumption	1% Increase
Local Net OPEB Liability	\$ 483,940	\$ 553,186	\$ 635,929

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

For the year ended June 30, 2021, the District recognized local OPEB expense of \$43,845. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to local OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>		Deferred Inflows of <u>Resources</u>	
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Differences between actual and expected experience	\$ 44,841	\$ 762	\$ 65,257	\$ 1,108
Changes of assumptions	67,326	1,143	91,979	1,562
Differences between projected and actual investment earnings	-	-	-	-
Changes in proportion	-	-	-	-
Employer contributions subsequent to the measurement date	12,776	217	-	-
Totals	<u>\$ 124,943</u>	<u>\$ 2,122</u>	<u>\$ 157,236</u>	<u>\$ 2,670</u>

\$12,993 reported as deferred outflows of resources related to local OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
For the fiscal year ended:		
2022	\$ (3,337)	\$ (57)
2023	(3,337)	(57)
2024	(3,337)	(57)
2025	(3,337)	(57)
2026	(3,337)	(57)
Thereafter	(28,384)	(480)
Total	<u>\$ (45,069)</u>	<u>\$ (765)</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

PSERS - Proportionate Share

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

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

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

Health Insurance Premium Assistance Program - PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employers or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

Employees Covered by Benefit Terms - At June 30, 2021, the following employees were covered by the benefit terms:

Participant Data	
Active participants	112
Vested former participants	-
Retired participants	<u>3</u>
Total	<u>115</u>

Total Proportionate Share PSERS OPEB Liability - The District's total proportionate share PSERS OPEB liability of \$1,035,000 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019. The District's share of the liability was 0.0479%, which is a decrease of 0.0001 with its proportionate share measured as of June 30, 2020.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Actuarial Methods and Assumptions - PSERS - The net PSERS OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS's net OPEB Liability as of June 30, 2019 to June 30, 2020 using the following PSERS actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - S&P 20 year municipal bond rate.
- Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.
- Participation rate:
 - ◆ Eligible retirees will elect to participate pre-age 65 at 50%
 - ◆ Eligible retirees will elect to participate post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

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

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Cash	50.3 %	1.0%
US Core Fixed Income	46.5 %	0.1%
Non-US Developed Fixed	<u>3.2 %</u>	0.1%
	<u>100.0 %</u>	

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

The following table shows the changes to the net PSERS OPEB liability:

	Governmental Activities	Business-type Activities	Total
Net PSERS OPEB liability as of July 1, 2020	\$ 1,004,051	\$ 16,949	\$ 1,021,000
Changes for the year:			
Service cost	19,666	334	20,000
Interest	29,499	501	30,000
Differences between expected and actual experience	983	17	1,000
Changes in assumptions or other inputs	983	17	1,000
Benefit payments	<u>(37,467)</u>	<u>(533)</u>	<u>(38,000)</u>
Net changes	<u>13,664</u>	<u>336</u>	<u>14,000</u>
Net PSERS OPEB liability as of June 30, 2021	<u>\$ 1,017,715</u>	<u>\$ 17,285</u>	<u>\$ 1,035,000</u>

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

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

	1% Decrease (1.66%)	Current Assumption (2.66%)	1% Increase (3.66%)
Total PSERS OPEB Liability	\$ 1,180,000	\$ 1,035,000	\$ 915,000

Sensitivity of the total Net PSERS OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the PSERS's OPEB liability calculated using the healthcare cost trend rate per annum (the "current rate"), as well as what the District's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease	Current Assumption	1% Increase
Net PSERS OPEB Liability	\$ 1,035,000	\$ 1,035,000	\$ 1,035,000

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

PSERS OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized proportionate share PSERS OPEB expense of \$46,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to PSERS OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental	Business-type	Governmental	Business-type
	Activities	Activities	Activities	Activities
Differences between actual and expected experience	\$ 9,832	\$ 168	\$ -	\$ -
Changes of assumptions	41,299	701	22,616	384
Differences between projected and actual investment earnings	1,967	33	-	-
Changes in proportion	-	-	22,616	384
Employer contributions subsequent to the measurement date	<u>67,126</u>	<u>1,140</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 120,224</u>	<u>\$ 2,042</u>	<u>\$ 45,232</u>	<u>\$ 768</u>

\$68,266 reported as deferred outflows of resources related to PSERS OPEB resulting from District contributions to PSERS subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental	Business-type
	Activities	Activities
For the fiscal year ended:		
2022	\$ (2,950)	\$ (50)
2023	(2,950)	(50)
2024	(3,933)	(67)
2025	7,866	134
2026	5,900	100
Thereafter	<u>3,933</u>	<u>67</u>
Total	<u>\$ 7,866</u>	<u>\$ 134</u>

Note 10. Defined Benefit Plan

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

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.state.pa.us.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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.

Beginning on July 1, 2019 the District complied with Act 5. Act 5 of 2017 gives Class T-C, Class T-D, Class T-E, and Class T-F members a one-time option to elect prospectively into one of the new Act 5 membership classes that each have a lower defined benefit (DB) structure and adds a defined contribution (DC) component. Only members who are active on July 1, 2019, are eligible to elect one of the Act 5 membership classes. The District's estimated average DC contribution rate for the fiscal year ended June 30, 2021 was 0.18% of covered payroll.

Contributions

Member Contributions

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. 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 T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,235,444 for the year ended June 30, 2021.

GASB Statement No. 68 and No. 71

The District complies with GASB No. 68 and GASB No. 71. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumption that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement requires the employers liability to plan employees for defined benefit plans (net pension liability) be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, prior to implementing GASB Statements No. 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB Statement No. 68, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation method.

At June 30, 2021, the District reported a liability of \$23,585,000 for its proportionate share of the net pension liability. The District reported a liability of \$2,100 for its proportionate share of the separately financed specific liabilities. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.0479%, which is a decrease of 0.0001 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021 the District recognized pension expense of \$2,211,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 60,965	\$ 1,035	\$ 555,564	\$ 9,435
Net difference between projected and actual investment earnings	1,018,698	17,302	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	240,909	4,092
Employer contributions subsequent to the measurement date	<u>2,285,021</u>	<u>38,808</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,364,684</u>	<u>\$ 57,145</u>	<u>\$ 796,473</u>	<u>\$ 13,527</u>

\$2,323,829 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

For the fiscal year ended:

	Governmental Activities	Business-type Activities
2022	\$ (339,239)	\$ (5,762)
2023	29,499	501
2024	290,074	4,927
2025	302,856	5,144
2026	<u>-</u>	<u>-</u>
Total	<u>\$ 283,190</u>	<u>\$ 4,810</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, which reflects an allowance for 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.

Expected rate of return on investments

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 Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLP's	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	(1.0)%
Financing (LIBOR)	<u>(14.0)%</u>	<u>(0.7)%</u>
	<u>100.0%</u>	

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2021 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 rates and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the District's proportionate share of the net pension liability of the PSERS plan, calculated as of the measurement date of June 30, 2020 using the discount rate of 7.25% per annum (the "current rate"). The table shows what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.25%), or 1% point higher (8.25%) than the current rate.

	1% Decrease <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Canton Area School District's proportionate share of the PSERS Net Pension Liability	\$ 29,180,000	\$ 23,585,000	\$ 18,846,000

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the June 30, 2020 valuation date were as follows:

	<u>PSERS</u>
Valuation date	6/30/2020
Employers' total pension liability	\$ 107,795,802,000
Plan fiduciary net position	<u>(58,556,786,000)</u>
Employers' net pension liability	<u>\$ 49,239,016,000</u>
Ratio of plan net position to the employers' total pension liability	54.32 %

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

Note 11. Unearned Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Property taxes collected within the first sixty days subsequent to year end are considered measurable and available. The components of unavailable revenues from property taxes are illustrated in the following schedule as of June 30, 2021:

Property taxes receivable	\$ 268,024
Less: collections within the first sixty days	<u>(43,532)</u>
Total unavailable revenues from property taxes	<u>\$ 224,492</u>

Unavailable revenues from property taxes that were recorded in the governmental funds balance sheet for resources that are earned but not available are recorded as revenue in the government-wide statement of activities.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 12. Related Parties

Joint Ventures

Bradford County Tax Collection Committee - Bradford County Tax Collection Committee is the Tax Collection Committee representing all earned income taxing jurisdictions within Bradford County, Pennsylvania, as defined by Pennsylvania Act 32 of 2008. The Committee is comprised of representatives from each taxing jurisdiction. All actions of the Committee are approved by the representatives using a weighted voting system based on each taxing jurisdiction's percentage of earned income tax revenue and population. The Committee is responsible for overseeing the collection and distribution of earned income and net profit taxes within the Tax Collection District. Members of the Tax Collection District are comprised of all school districts and municipalities within the geographic boundaries of the Tax Collection District. Non-members are entities not included within the geographic boundaries of the Tax Collection District. Amounts remitted to the District from the Bradford County Tax Collection Committee amounted to \$504,486, net of the collection fee, for the year ended June 30, 2021.

Northern Tier Insurance Consortium - The District and other surrounding educational institutions created a joint venture, the Northern Tier Insurance Consortium (the "Consortium"), to provide adequate and affordable health, hospitalization, medical services and other insurance coverage to the District's employees and to stabilize the cost of this insurance over the long term. The governing body of the joint venture is comprised of a Director from each participating educational institution. The District pays an estimated monthly premium to the Consortium for health insurance coverage calculated by an annual actuarial assessment. The District's payments of monthly premiums amounted to \$1,674,682 for the year ended June 30, 2021. The Consortium self funds all claims and utilizes a third party to manage the claims.

Northern Tier Career Center - The school districts in Bradford County created the Northern Tier Career Center, to provide vocational-technical education opportunities for their students. The District appoints one member of the governing board. Consequently, the District does not have material control or fiscal responsibility over the Northern Tier Career Center. The District along with the other seven participating Districts share in the operating deficit or surplus of the Northern Tier Career Center. In the fiscal year ended June 30, 2006, the districts approved the Northern Tier Career Center capital improvement project and subsequent bond issue in the amount of \$9,200,000. By approving this project, the District agreed to an additional tuition increase to be used for funding the debt service of the project. The original bond issue was refunded in the fiscal year ended June 30, 2012 by issuing new bonds in the amount of \$7,965,000. During the year ended June 30, 2020, NTCC issued Revenue Bonds, Series of 2019 in the amount of \$3,905,000, that advance refunded its Revenue Bond, Series of 2011 and paid for the cost of issuing the new bonds. The Series of 2019 bond has an interest rate of 2.797% with final maturity due March 1, 2025. The District's original net tuition requirement related to the original bond issue was \$874,920. The District's net tuition requirement related to the refunded bond issue is \$340,045 in total and \$67,724 for the fiscal year ended June 30, 2021.

Future payments including principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 61,054	\$ 7,113	\$ 68,167
2023	62,576	5,405	67,981
2024	64,478	3,655	68,133
2025	<u>66,189</u>	<u>1,851</u>	<u>68,040</u>
Total	<u>\$ 254,297</u>	<u>\$ 18,024</u>	<u>\$ 272,321</u>

Jointly Governed Organization

BLaST Intermediate Unit #17 - BLaST Intermediate Unit #17 serves Bradford, Lycoming, Sullivan and Tioga counties. BLaST Intermediate Unit #17 assists regional schools with their charge to educate special needs children and provides speech, hearing, psychological and vision services. The members are comprised of the 19 school districts within Bradford, Lycoming, Sullivan and Tioga counties. The Board of Directors has oversight responsibility to provide financial interdependency, designate governing authority and the selection of management. The Board of Directors is comprised of one director from each of the nineteen member districts. The District's payments to BLaST amounted to \$571,081 for the year ended June 30, 2021. The District had \$57,271 payable to BLaST for the year ended June 30, 2021.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 13. Risks and Uncertainties

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

The District carries commercial insurance for these and other risks of loss including workers' compensation and general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

Note 14. Federal and State Funded Programs

The District participates in a number of Federal and Pennsylvania grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 15. Stewardship, Compliance, Accountability

Expenditures exceeding the budget by material margins are explained as follows:

Interfund Transfers Out

The District's interfund transfers out exceeded budgeted amounts due to the general fund transferring money to the debt service fund for payments of bond principal and interest.

Note 16. Future Implementations of GASB Pronouncements

The Governmental Accounting Standards Board has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 - *Leases*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - *Omnibus 2020*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Effective for fiscal years beginning after June 15, 2022.

Statement No. 96 - *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Effective for fiscal years beginning after June 15, 2021.

Statement No. 98 - *The Annual Comprehensive Financial Report.* Effective for fiscal years beginning after December 15, 2021.

Note 17. Restatement of Net Position

During the year ended June 30, 2021, the District completed a physical inventory of all capital assets. The result of this physical inventory decreased beginning net position by \$92,948.

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84 - "Fiduciary Activities." The implementation resulted in an increase in beginning net position of \$92,948.

The District's net position at June 30, 2020 has been restated as follows:

	Governmental Activities	Business-type Activities	Total
Net position beginning of year - as previously stated	\$ (10,550,491)	\$ (237,204)	\$ (10,787,695)
Physical inventory of capital assets	<u>(91,304)</u>	<u>(1,644)</u>	<u>(92,948)</u>
GASB Statement No. 84 implementation			
Private-purpose trust fund elimination	47,619	-	47,619
Student sponsored activities	<u>161,442</u>	<u>-</u>	<u>161,442</u>
Total GASB Statement No. 84 implementation	<u>209,061</u>	<u>-</u>	<u>209,061</u>
Net position beginning of year - as restated	<u>\$ (10,432,734)</u>	<u>\$ (238,848)</u>	<u>\$ (10,671,582)</u>

The District implemented GASB Statement No. 84 which eliminated the private-purpose trust fund. The scholarship funds which were formerly presented in the private-purpose trust funds were added to the general fund resulting in a restatement to the general fund statement of revenues, expenditures and changes in fund balance. This restatement increased the beginning fund balance by \$47,619 as of July 1, 2020.

The student sponsored activities fund was created as a result of the implementation of GASB Statement No. 84. This resulted in an increase in the beginning fund balance in the student sponsored activities fund on the statement of revenues, expenditures and changes in fund balance of \$161,442 as of July 1, 2020.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date these financial statements were available to be issued.

As a result of the American Rescue Plan, the District received an increase in Special Education Grants (IDEA) passed through BLaST Intermediate Unit #17 in the amount of \$47,634 for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON AREA SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 4,237,312	\$ 4,237,312	\$ 4,553,260	\$ 315,948
State sources	10,998,799	10,998,799	11,338,660	339,861
Federal sources	<u>758,429</u>	<u>758,429</u>	<u>1,008,145</u>	<u>249,716</u>
Total revenues	<u>15,994,540</u>	<u>15,994,540</u>	<u>16,900,065</u>	<u>905,525</u>
Expenditures				
Regular programs	7,847,567	7,847,567	7,719,301	128,266
Special programs	2,031,958	2,175,360	2,139,417	35,943
Vocational education	305,444	309,826	309,826	-
Other instructional programs	104,298	165,660	161,362	4,298
Student support services	429,083	451,278	450,220	1,058
Instructional staff support services	303,016	361,307	357,820	3,487
Administration support services	1,099,657	1,119,798	1,004,416	115,382
Pupil health support services	185,751	244,304	243,763	541
Business support services	410,095	414,949	406,567	8,382
Operation and maintenance of plant services	1,239,418	1,255,101	1,256,232	(1,131)
Student transportation services	888,500	891,271	891,271	-
Central support services	273,988	295,603	295,264	339
Student activities	489,256	489,256	476,854	12,402
Community service	-	60	60	-
Debt service	<u>925,799</u>	<u>925,799</u>	<u>-</u>	<u>925,799</u>
Total expenditures	<u>16,533,830</u>	<u>16,947,139</u>	<u>15,712,373</u>	<u>1,234,766</u>
Other Financing Uses				
Budgetary reserve	441,471	28,162	-	28,162
Interfund transfers out	-	-	869,633	(869,633)
Total expenditures and other financing uses	<u>16,975,301</u>	<u>16,975,301</u>	<u>16,582,006</u>	<u>393,295</u>
Net Change in Fund Balance	\$ <u>(980,761)</u>	\$ <u>(980,761)</u>	318,059	\$ <u>1,298,820</u>
Fund Balances - Beginning, as Previously Stated			5,405,642	
Restatement - Change in Accounting Principle			<u>47,619</u>	
Fund Balance - Beginning, as Restated			<u>5,453,261</u>	
Fund Balance - Ending			<u>\$ 5,771,320</u>	

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Changes in the District's Total/Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

Total OPEB Liability - Local				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 31,039	\$ 37,378	\$ 34,938	\$ 35,439
Interest	16,200	19,040	19,157	12,757
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(78,431)	-	65,871
Changes in assumptions or other inputs	59,224	(110,549)	1,587	18,172
Benefit payments	<u>(9,579)</u>	<u>(27,649)</u>	<u>(35,521)</u>	<u>(27,921)</u>
Net changes in total OPEB liability	96,884	(160,211)	20,161	104,318
Total OPEB liability - beginning	<u>456,302</u>	<u>616,513</u>	<u>596,352</u>	<u>492,034</u>
Total OPEB liability - ending	<u>\$ 553,186</u>	<u>\$ 456,302</u>	<u>\$ 616,513</u>	<u>\$ 596,352</u>
Covered payroll	\$ 6,328,773	\$ 6,328,773	\$ 6,180,207	\$ 6,180,207
Total OPEB liability as a percentage of covered payroll	8.74 %	7.21 %	9.98 %	9.65 %

Net Total OPEB Liability - Proportionate Share				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 20,000	\$ 19,000	\$ 18,000	\$ 20,000
Interest	30,000	31,000	32,000	30,000
Changes of benefit terms	-	-	1,000	-
Differences between expected and actual experience	1,000	-	-	-
Changes in assumptions or other inputs	1,000	3,000	6,000	(8,000)
Benefit payments	<u>(38,000)</u>	<u>(33,000)</u>	<u>(48,000)</u>	<u>(129,000)</u>
Net changes in total OPEB liability	14,000	20,000	9,000	(87,000)
Total OPEB liability - beginning	<u>1,021,000</u>	<u>1,001,000</u>	<u>992,000</u>	<u>1,079,000</u>
Total OPEB liability - ending	<u>\$ 1,035,000</u>	<u>\$ 1,021,000</u>	<u>\$ 1,001,000</u>	<u>\$ 992,000</u>
Covered payroll	\$ 6,725,899	\$ 6,619,234	\$ 6,640,917	\$ 6,462,706
Total OPEB liability as a percentage of covered payroll	15.39 %	15.42 %	15.07 %	15.35 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's PSERS OPEB Contributions
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 66,474	\$ 66,952	\$ 64,611	\$ 61,213	\$ 64,876	\$ 63,660	\$ 61,115	\$ 57,412
Contribution in relation to the actuarially determined contribution	<u>56,389</u>	<u>54,994</u>	<u>53,628</u>	<u>53,842</u>	<u>56,391</u>	<u>63,660</u>	<u>61,115</u>	<u>57,412</u>
Contribution deficiency (excess)	<u>\$ 10,085</u>	<u>\$ 11,958</u>	<u>\$ 10,983</u>	<u>\$ 7,371</u>	<u>\$ 8,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,725,899</u>	<u>\$ 6,619,264</u>	<u>\$ 6,640,917</u>	<u>\$ 6,462,706</u>	<u>\$ 6,479,057</u>	<u>\$ 6,487,288</u>	<u>\$ 6,412,260</u>	<u>\$ 6,405,367</u>
Contribution as a percentage of covered payroll	0.84 %	0.83 %	0.81 %	0.83 %	0.87 %	0.98 %	0.95 %	0.90 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - PSERS
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.047900 %	0.048000 %	0.048000 %	0.048700 %	0.050100 %	0.049900 %	0.050400 %	0.050800 %
The District's proportionate share of the net pension liability	\$ 23,585,000	\$ 22,456,000	\$ 23,042,000	\$ 24,052,000	\$ 24,828,000	\$ 21,615,000	\$ 19,949,000	\$ 20,796,000
The District's proportionate share of the separately financed specific liability	\$ 2,100	\$ 4,000	\$ 3,000	\$ 4,000	\$ 4,000	\$ 7,000	\$ -	\$ -
The District's covered payroll	\$ 6,725,899	\$ 6,619,264	\$ 6,640,917	\$ 6,462,706	\$ 6,479,057	\$ 6,487,288	\$ 6,412,260	\$ 6,405,367
The District's proportionate share of the net pension liability as a percentage of covered payroll	350.66 %	339.25 %	346.97 %	372.17 %	383.20 %	333.19 %	311.11 %	324.67 %
Plan fiduciary net position as a percentage of the total pension liability	54.32 %	55.66 %	54.00 %	51.84 %	50.14 %	54.36 %	57.24 %	54.49 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Employer's Contributions for PSERS
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,235,444	\$ 2,225,723	\$ 2,115,245	\$ 1,993,678	\$ 1,832,160	\$ 1,588,707	\$ 1,380,554	\$ 1,053,078	\$ 777,513	\$ 551,548
Contribution in relation to the contractually required contribution	<u>2,235,444</u>	<u>2,225,723</u>	<u>2,115,245</u>	<u>1,993,678</u>	<u>1,832,160</u>	<u>1,588,707</u>	<u>1,380,554</u>	<u>1,053,078</u>	<u>777,513</u>	<u>551,548</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
District's covered payroll	<u>\$ 6,725,899</u>	<u>\$ 6,619,264</u>	<u>\$ 6,640,917</u>	<u>\$ 6,462,706</u>	<u>\$ 6,479,057</u>	<u>\$ 6,487,288</u>	<u>\$ 6,412,260</u>	<u>\$ 6,405,367</u>	<u>\$ 6,499,638</u>	<u>\$ 6,695,402</u>
Contribution as a percentage of covered payroll	33.24 %	33.62 %	31.85 %	30.85 %	28.28 %	24.49 %	21.53 %	16.44 %	11.96 %	8.24 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2021

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

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

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

The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function level. The Board may make transfers of funds appropriated to any particular item of expenditure by action of the Board of Education in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function 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.

Note 2. Schedule of Changes in the District's Total/Net OPEB Liability and Related Ratios

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

The Schedule of Changes in the District's Total/Net OPEB Liability and Related Ratios and Schedule of District's PSERS OPEB Contribution is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

The Schedule of District's PSERS OPEB Contribution is required for cost-sharing plans and not single employer plans. Therefore, there is no disclosure for the local OPEB.

Note 3. Schedule of District's Proportionate Share of the Net Pension Liability - PSERS and Schedule of Employer's Contributions for PSERS

The information presented in these required supplementary schedules was determined as part of the audit of the Commonwealth of Pennsylvania Public School Employers' Retirement System Plan. Additional information for the pension schedules can be found in the notes to the financial statements.

The Schedule of District's Proportionate Share of the Net Pension Liability - PSERS is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SINGLE AUDIT REPORTS

CANTON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Source Code	Assistance Listing	Pass Through Grantor Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue at 6/30/20	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/21	Expenditures to Subrecipients
U.S. Department of Agriculture											
Pass through programs from:											
Pennsylvania Department of Education:											
Child Nutrition Cluster											
National School Lunch Program	I	10.555	362-0000	20-21	N/A	\$ 318,713	\$ -	\$ 323,346	\$ 323,346	\$ 4,633	\$ -
School Breakfast Program	I	10.553	367-0000	20-21	N/A	121,120	-	123,166	123,166	2,046	-
Non-cash Assistance - Pass through programs from											
Pennsylvania Department of Agriculture:											
National School Lunch Program -											
Surplus Food Distribution	I	10.555	N/A	19-20	N/A	-	(12,199)	12,199	12,199	-	-
National School Lunch Program -											
Surplus Food Distribution	I	10.555	N/A	20-21	N/A	24,856	-	19,821	19,821	(5,035)	-
Total Child Nutrition Cluster						464,689	(12,199)	478,532	478,532	1,644	-
Pennsylvania Department of Education:											
Child Nutrition Discretionary Grants Limited											
Availability	I	10.579	N/A	19-20	N/A	47,775	47,775	-	-	-	-
Total U.S. Department of Agriculture						<u>512,464</u>	<u>35,576</u>	<u>478,532</u>	<u>478,532</u>	<u>1,644</u>	<u>-</u>
U.S. Department of Education											
Pass through program from Pennsylvania Department of Education:											
Other pass through programs:											
Title I Grants to Local Educational											
Agencies	I	84.010	013-200061	19-20	375,517	100,123	100,123	-	-	-	-
Title I Grants to Local Educational											
Agencies	I	84.010	013-210061	20-21	340,536	249,963	-	340,536	340,536	90,573	-
Total Title I Grants to Local Educational Agencies						350,086	100,123	340,536	340,536	90,573	-
Supporting Effective Instruction											
State Grants	I	84.367	020-200061	19-20	48,018	3,214	-	3,214	3,214	-	-
Supporting Effective Instruction											
State Grants	I	84.367	020-210061	20-21	39,559	39,559	-	39,559	39,559	-	-
Total Supporting Effective Instruction State Grants						42,773	-	42,773	42,773	-	-
Rural Education	I	84.358	007-200061	19-20	17,826	8,913	-	8,913	8,913	-	-
Rural Education	I	84.358	007-210061	20-21	17,826	7,945	-	7,945	7,945	-	-
Total Rural Education						16,858	-	16,858	16,858	-	-
Student Support and Academic											
Enrichment Program	I	84.424	144-200061	20-21	28,478	20,885	-	20,885	20,885	-	-
Total other pass through programs						430,602	100,123	421,052	421,052	90,573	-

See accompanying notes to schedule of expenditures of federal awards.

CANTON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Source Code	Assistance Listing	Pass Through Grantor Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue at 6/30/20	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/21	Expenditures to Subrecipients
Education Stabilization Fund											
Pass through programs from:											
Pennsylvania Department of Education:											
COVID-19 - Governor's Emergency Education Relief Fund (GEER I)	I	84.425C	253-200061	20-21	18,150	18,150	-	18,150	18,150	-	-
Total COVID-19 - Governor's Emergency Education Relief Fund						18,150	-	18,150	18,150	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	200-200061	20-21	308,429	308,429	-	308,429	308,429	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210061	20-23	1,257,495	-	-	60,250	60,250	60,250	-
Pennsylvania Commission on Crime and Delinquency:											
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	2020-ES-01	20-21	24,106	24,106	-	24,106	24,106	-	-
Total COVID-19 - Elementary and Secondary School Emergency Relief Fund						332,535	-	392,785	392,785	60,250	-
Total Education Stabilization Fund						350,685	-	410,935	410,935	60,250	-
Special Education Cluster:											
Pennsylvania Department of Education and BLaST IU #17:											
Special Education Grants to States (IDEA Part B)	I	84.027	N/A	19-20	206,558	16,558	16,558	-	-	-	-
Special Education Grants to States (IDEA Part B)	I	84.027	N/A	20-21	244,389	227,883	-	244,389	244,389	16,506	-
Special Education Preschool Grants (IDEA Preschool)	I	84.173	N/A	20-21	2,088	-	-	2,088	2,088	2,088	-
Pennsylvania Department of Education:											
COVID-19 - Special Education Impact Mitigation Grant	I	84.027	252-200061	20-21	5,000	5,000	-	5,000	5,000	-	-
Total Special Education Cluster						249,441	16,558	251,477	251,477	18,594	-
Total U.S. Department of Education						<u>1,030,728</u>	<u>116,681</u>	<u>1,083,464</u>	<u>1,083,464</u>	<u>169,417</u>	<u>-</u>
U.S. Department of the Treasury											
Pass through programs from:											
Pennsylvania Commission on Crime and Delinquency:											
COVID-19 - Coronavirus Relief Fund	I	21.019	N/A	20-21	154,958	154,958	-	154,958	154,958	-	-
Lycoming County:											
COVID-19 - Coronavirus Relief Fund	I	21.019	N/A	20-21	16,200	16,200	-	16,200	16,200	-	-
Total U.S. Department of the Treasury						<u>171,158</u>	<u>-</u>	<u>171,158</u>	<u>171,158</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards						<u>\$ 1,714,350</u>	<u>\$ 152,257</u>	<u>\$ 1,733,154</u>	<u>\$ 1,733,154</u>	<u>\$ 171,061</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule was prepared on the accrual basis of accounting and is presented in accordance with the requirements of *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2. Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program". During the year ended June 30, 2021, the District received \$24,856 worth of commodities under the National School Lunch Program (Assistance Listing #10.555).

Note 3. Source Codes

The accompanying schedule of expenditures of federal awards presents a column with the source code. The sources are as follows:

<u>Source Codes</u>	<u>Type of Funding</u>
D	Direct
I	Indirect
S	State share

Note 4. Subrecipients

No amounts were provided to subrecipients.

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

To the Board of Education
Canton Area School District
Canton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Canton Area School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Canton Area School District's basic financial statements, and have issued our report thereon dated December 14, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 14, 2021

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

To the Board of Education
Canton Area School District
Canton, Pennsylvania

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 14, 2021

**CANTON AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- | | | |
|----|--|--|
| 1. | Material weaknesses identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 2. | Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |
| 3. | Noncompliance material to the financial statements noted? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Federal Awards

Internal control over major programs:

- | | | |
|----|--|--|
| 4. | Material weaknesses identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 5. | Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |

Type of auditors' report issued on compliance for major program: Unmodified

- | | | |
|----|---|---|
| 6. | Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 7. | Major program audited was: | |

Program Name	Assistance Listing
Education Stabilization Fund - Governor's Emergency Education Relief Fund	84.425C
Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	84.425D

- | | | |
|----|---|---|
| 8. | Dollar threshold to determine type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**CANTON AREA SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2021**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE