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CPAS + CONSULTANTS



FLEETWOOD AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Fleetwood Area School District
Fleetwood, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fleetwood Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fleetwood Area School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and the pension and other postemployment benefit information on pages 78 through 82, 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.

Supplementary Information

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

The combining trust funds financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining trust funds financial statements and the schedule of expenditures of federal awards are 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 October 19, 2020, 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.

Herbein + Company, Inc.

Reading, Pennsylvania
October 19, 2020

Fleetwood Area School District

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Heidi A. Orth
Business Manager

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
REQUIRED SUPPLEMENTARY INFORMATION (RSI)

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Effective March 16, 2020, the Governor of Pennsylvania closed all K-12 Pennsylvania schools, due to the COVID-19 pandemic, initially for ten days, but then was later extended through the remainder of the 2019-20 school year. In addition, on March 27, 2020, Pennsylvania Act 13 of 2020 was signed into law, which included several provisions, including, but not limited to, continuity of education, waiver of the 180-day school term requirement, required payments to charter schools based on March 13, 2020 enrollment, and required compensation to employees - no more or no less, had the pandemic not occurred. This Act and the requirements within it expired on June 30, 2020. Also in March 2020, the United States Department of Agriculture (USDA) and the Pennsylvania Department of Education's (PDE) Division of Food and Nutrition (DFN) provided waivers that allowed closed schools to serve meals to students through the National School Lunch Program's Seamless Summer Option or Summer Food Service Program, which provides federal subsidies for meals served. The District's business-type activities realized a significant decrease in food service revenue due to the closure.

The District's overall financial position, as reflected in total net position, increased by $626,496 for governmental activities; however due to the inclusion of the District's pension liability, the overall governmental activities net position reflects a negative balance of $19,468,343 as of June 30, 2020.

The District reduced the amount of outstanding general obligation debt by $4,085,000.

In governmental funds, total fund balance decreased by $6,096,066. This is comprised of a $602,424 decrease in the general fund and a $5,493,642 decrease in the capital projects fund due to ongoing capital improvements projects.

The net position of the business-type activities decreased $116,575 with an ending net deficit of $982,216 as of June 30, 2020. The decrease in net position for the year was primarily due to the impact of COVID-19 on the operations of the food service fund.

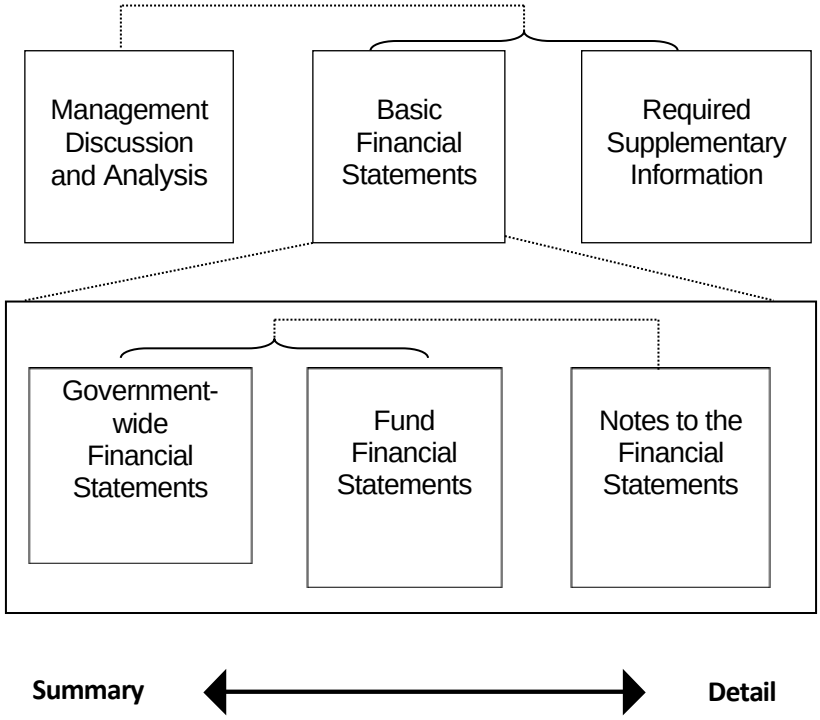
Fleetwood Area School District

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

Figure A-1
Required components of
Fleetwood Area School District's
Financial Report



Fleetwood Area School District

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

Figure A-2
Major Features of Fleetwood Area School District's
Government-wide and Fund Financial Statements

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

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OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

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

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

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

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

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

- Governmental activities - All of the District's basic services are included here, such as instruction, administration, and community services. Property taxes and state and federal subsidies and grants finance most of these activities.

- Business type activities - The District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

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

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

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

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A comparative analysis of fiscal year 2019-2020 to 2018-2019:

Table A-1
Fiscal Year ended June 30, 2020
Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current and other assets	$ 11,197,570	$ 18,165,675	$ 197,382	$ 294,788	$ 11,394,952	$ 18,460,463
Capital assets	61,271,637	58,260,802	84,510	96,565	61,356,147	58,357,367
Total assets	72,469,207	76,426,477	281,892	391,353	72,751,099	76,817,830
Deferred outflows of resources	9,189,424	10,794,379	173,713	237,919	9,363,137	11,032,298
Current and other liabilities	7,105,328	7,850,222	47,451	62,424	7,152,779	7,912,646
Long-term liabilities including pension	89,312,724	96,327,971	1,240,737	1,377,785	90,553,461	97,705,756
Total Liabilities	96,418,052	104,178,193	1,288,188	1,440,209	97,706,240	105,618,402
Deferred inflows of resources	4,708,922	3,137,502	149,633	54,704	4,858,555	3,192,206
Net Position						
Net investment in capital assets	39,423,723	34,868,615	84,510	96,565	39,508,233	34,965,180
Restricted	2,699,091	5,569,600	-	-	2,699,091	5,569,600
Unrestricted	(61,591,157)	(60,533,054)	(1,066,726)	(962,206)	(62,657,883)	(61,495,260)
Total Net Position	**$ (19,468,343)**	**$ (20,094,839)**	**$ (982,216)**	**$ (865,641)**	**$ (20,450,559)**	**$ (20,960,480)**

Most of the District's net position are invested in capital assets (buildings, land, and equipment). An additional amount is restricted for future capital projects. The remaining unrestricted net position are unrestricted/undesignated amounts.

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

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Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year. This table also shows a comparative analysis of fiscal year 2019-2020 to 2018-2019.

Table A-2
Fiscal Year ended June 30, 2020
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	$ 277,262	$ 292,102	$ 399,105	$ 555,950	$ 676,367	$ 848,052
Operating grants and contributions	8,273,958	8,345,539	597,121	555,241	8,871,079	8,900,780
Capital grants and contributions	392,944	401,040	-	-	392,944	401,040
General revenues						
Property taxes	27,212,922	27,126,450	-	-	27,212,922	27,126,450
Other taxes	2,699,537	2,907,928	-	-	2,699,537	2,907,928
Grants, subsidies and contributions, unrestricted	7,504,532	7,329,165	-	-	7,504,532	7,329,165
Other	370,035	561,529	1,797	3,895	371,832	565,424
TOTAL REVENUES	$ 46,731,190	$ 46,963,753	$ 998,023	$ 1,115,086	$ 47,729,213	$ 48,078,839
EXPENSES						
Instruction	28,844,045	28,959,231	-	-	28,844,045	28,959,231
Instructional student support	4,454,799	4,122,947	-	-	4,454,799	4,122,947
Administrative and financial support	3,421,959	3,695,411	-	-	3,421,959	3,695,411
Operation and maintenance of plant	3,582,461	3,775,597	-	-	3,582,461	3,775,597
Pupil transportation	1,531,254	2,090,110	-	-	1,531,254	2,090,110
Student activities	719,977	800,403	-	-	719,977	800,403
Community services	14,393	28,991	-	-	14,393	28,991
Interest on long-term debt	823,348	945,659	-	-	823,348	945,659
Unallocated depreciation expense	1,595,771	1,301,399	-	-	1,595,771	1,301,399
Special item - building sale	1,116,687	-	-	-	1,116,687	-
Food Services	-	-	1,114,598	1,150,317	1,114,598	1,150,317
TOTAL EXPENSES	46,104,694	45,719,748	1,114,598	1,150,317	47,219,292	46,870,065
Increase (decrease) in net position	**$ 626,496**	**$ 1,244,005**	**$ (116,575)**	**$ (35,231)**	**$ 509,921**	**$ 1,208,774**
Net position (deficit) - beginning of year	**$ (20,094,839)**	**$ (21,338,844)**	**$ (865,641)**	**$ (830,410)**	**$ (20,960,480)**	**$ (22,169,254)**
Net position (deficit) - end of year	**$ (19,468,343)**	**$ (20,094,839)**	**$ (982,216)**	**$ (865,641)**	**$ (20,450,559)**	**$ (20,960,480)**

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Heidi A. Orth
Business Manager

The following tables represent the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsides, and contributions to show the remaining financial needs supported by local taxes, net cost of services, and other miscellaneous revenues. This table also shows a comparative analysis of fiscal year 2019-2020 to 2018-2019:

Table A-3
Fiscal Year ended June 30, 2020
Governmental Activities

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2020**	**2019**	**2020**	**2019**
Instruction	$ 28,844,045	$ 28,959,231	$ 22,956,933	$ 22,981,047
Instructional student support	4,454,799	4,122,947	3,860,592	3,577,752
Administrative	3,421,959	3,695,411	3,021,375	3,264,030
Operation and maintenance	3,582,461	3,775,597	3,131,415	3,312,792
Pupil transportation	1,531,254	2,090,110	520,169	1,082,641
Student activities	719,977	800,403	512,791	587,796
Community services	14,393	28,991	14,393	28,991
Interest on long-term debt	823,348	945,659	430,404	544,619
Unallocated depreciation expense	2,712,458	1,301,399	2,712,458	1,301,399
Total governmental activities	**$ 46,104,694**	**$ 45,719,748**	**$ 37,160,530**	**$ 36,681,067**
Less:				
Unrestricted grants, subsidies			7,504,532	7,329,165
Total needs from local taxes and other revenues			**$ 29,655,998**	**$ 29,351,902**

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Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4

Fiscal Year ended June 30, 2020
Business-type Activities

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2020**	**2019**	**2020**	**2019**
Food Services	**$ 1,114,598**	**$ 1,150,317**	$ 118,372	$ 39,126
Less:				
Investment earnings and other			1,797	3,895
Total needs from local taxes and other revenues			**$ 116,575**	**$ 35,231**

The Statement of Revenues, Expenses, and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2020, the District governmental funds reported major changes as follows:

General Fund:

The General Fund reported a total fund balance of $4,561,172 which is a decrease of $602,424. The District has committed $1,144,819 of the existing fund balance to prepare for projected increases in state retirement contributions, and assigned $619,152 to balance the budget for the 2020-2021 school year, bringing the unreserved, undesignated fund balance to $2,797,201. The actual expenditures were $166,256 or .39% under budget. The District experienced the traditional increases related to special education; however additional costs were also incurred for increased technology resources for the implementation of virtual education programs due to the pandemic. The District realized a significant savings in transportation costs due to programs operating virtually beginning March 16th. Lastly, the Board of Directors opted to transfer $1,003,260 of general fund resources to the capital projects fund to prepare for upcoming capital improvements. The District sold its Richmond Elementary building resulting in additional revenue in the amount of $371,125, which was part of the overall transfer to capital projects. Revenues ended $118,827 or .25% under budget. Shortfalls in local revenue were seen in student activity fees and building rentals as well as in state subsidies such as social security and PSERS reimbursements.

Capital Projects Fund:

The District has built a Capital Project Fund for future and existing capital needs. In preparation for a number of additional capital improvements, the District has created a long-range facilities plan. During the course of the 2019-2020 school year, the District continued its contract with an outside firm for the completion of a number of capital improvements projects, resulting in the use of $6,632,396 of capital projects funds.

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General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $61,368,202 invested in a broad range of capital assets, including land, buildings, furniture, equipment, and vehicles. This amount represents a net increase (including additions, deletions, and depreciation) of $3,022,890 or 5.2% from last year. During the year the District sold its Richmond Elementary building for $371,125 resulting in a loss on capital asset disposal of $1,116,687.

Table A-5
Capital Assets

	Governmental Activities		Business-Type Activity		Total	
	2020	2019	2020	2019	2020	2019
Land & Land Improvements	$ 7,085,156	$ 6,605,064	$ -	$ -	$ 7,085,156	$ 6,605,064
Buildings	49,671,647	47,902,839	-	-	49,671,647	47,902,839
Furniture, Equipment, and Vehicles	1,190,963	1,302,756	96,565	84,510	1,287,528	1,387,266
Construction in Progress	3,323,871	2,450,143	-	-	3,323,871	2,450,143
Totals	**$ 61,271,637**	**$ 58,260,802**	**$ 96,565**	**$ 84,510**	**$ 61,368,202**	**$ 58,345,312**

More detailed information regarding the District's capital assets is included in Note 7 in the notes to the basic financial statements.

DEBT ADMINISTRATION

As of July 1, 2019, the District had total outstanding bond principal of $25,990,000. The District made net payments against principal of $4,085,000. This resulted in ending outstanding debt as of June 30, 2020 of $21,905,000.

Table A-6
Outstanding Debt

	2020	2019
General Obligation Bonds:		
Series of 2013	$ 4,105,000	$ 5,595,000
Series of 2015	6,090,000	8,675,000
Series of 2018	2,100,000	2,105,000
Series of 2018A	9,610,000	9,615,000
TOTAL	**$ 21,905,000**	**$ 25,990,000**

Other obligations include accrued vacation, sick, and severance pay for specific employees of the District. More detailed information about our long-term liabilities is included in Note 8 in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's general obligation bond rating is a Standard & Poor's AA- stable rating. The AA- stable rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

The revenue budget for the 2020-2021 year is $47,401,942 or $662,138 more than the original budget for 2019-2020. This represents a 1.41% increase in budgeted revenues. The revenue increase can be attributed to projected increases in tax collection as well as an increase in state and federal subsidies. The District increased property taxes in 2020-2021 to 33.36 mills, an increase of .25 mills over the 2019-2020 millage rate. Included in this budget are a few new grants to help support districts during the pandemic. These will be one time revenues that will be used to help offset costs that support student and staff health and safety.

The expenditure budget for the 2020-2021 year is $48,021,094; $981,290 more than the original budget for 2019-2020, or a 2.09% increase. The increase is due to increased salary and benefits costs based on contractual obligations, an increase in the employer share of retirement, and increased needs for special education services.

The comparison of revenue and expenditure categories is as follows:

Table A-7
BUDGETED REVENUES

	2020-2021	2019-2020
Local	65.43%	66.70%
State	32.87%	32.00%
Federal	1.70%	1.30%

BUDGETED EXPENDITURES

	2020-2021	2019-2020
Instruction	60.53%	59.30%
Support Services	26.95%	28.10%

The food service program will see significant changes in the 20-21 school year due to all students receiving free breakfast and lunch meals through June 30, 2021. Again, this is the result of the federal government providing additional resources due to the COVID-19 pandemic.

Fleetwood Area School District

ADMINISTRATION OFFICE • 801 N. Richmond Street, Fleetwood, PA 19522-1031
Phone: 610-944-8111 • FAX: 610-944-6842 • E-mail: horth@fleetwoodasd.k12.pa.us

Heidi A. Orth
Business Manager

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager at Fleetwood Area School District, 801 N. Richmond Street, Fleetwood, PA 19522, 610.944.8111.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 8,918,985	$ 153,305	$ 9,072,290
Internal balances	(5,432)	5,432	-
Taxes receivable, net	699,661	-	699,661
Intergovernmental receivables	1,548,134	32,578	1,580,712
Other receivables	36,222	-	36,222
Inventories	-	6,067	6,067
Capital assets not being depreciated	5,392,716	-	5,392,716
Capital assets, net of accumulated depreciation	55,878,921	84,510	55,963,431
TOTAL ASSETS	72,469,207	281,892	72,751,099
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	235,045	-	235,045
Deferred outflows of resources for pension	8,342,654	137,301	8,479,955
Deferred outflows of resources for other postemployment benefits	611,725	36,412	648,137
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,189,424	173,713	9,363,137
LIABILITIES			
Accounts payable	314,819	1,579	316,398
Accrued interest	66,010	-	66,010
Payroll accruals and withholdings	2,458,975	6,914	2,465,889
Unearned revenues	-	59	59
Other current liabilities	-	32,724	32,724
Noncurrent liabilities, due within one year	4,265,524	6,175	4,271,699
Noncurrent liabilities:			
Bonds payable, net	18,549,785	-	18,549,785
Long-term portion of compensated absences	935,120	-	935,120
Net pension liability	64,021,043	1,146,957	65,168,000
Net other postemployment benefit liabilities	5,806,776	93,780	5,900,556
TOTAL LIABILITIES	96,418,052	1,288,188	97,706,240
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	4,139,834	145,297	4,285,131
Deferred inflows of resources for other postemployment benefits	569,088	4,336	573,424
TOTAL DEFERRED INFLOWS OF RESOURCES	4,708,922	149,633	4,858,555
NET POSITION			
Net investment in capital assets	39,423,723	84,510	39,508,233
Restricted for capital projects	2,699,091	-	2,699,091
Unrestricted (deficit)	(61,591,157)	(1,066,726)	(62,657,883)
TOTAL NET POSITION (DEFICIT)	$ (19,468,343)	$ (982,216)	$ (20,450,559)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
Instruction	$ 28,844,045	$ -	$ 5,887,112	$ -	$ (22,956,933)	$ -	$ (22,956,933)
Instructional student support	4,454,799	-	594,207	-	(3,860,592)	-	(3,860,592)
Administrative and financial support services	3,421,959	-	400,584	-	(3,021,375)	-	(3,021,375)
Operation and maintenance of plant services	3,582,461	154,197	296,849	-	(3,131,415)	-	(3,131,415)
Pupil transportation	1,531,254	-	1,011,085	-	(520,169)	-	(520,169)
Student activities	719,977	123,065	84,121	-	(512,791)	-	(512,791)
Community services	14,393	-	-	-	(14,393)	-	(14,393)
Interest on long-term debt	823,348	-	-	392,944	(430,404)	-	(430,404)
Unallocated depreciation expense	1,595,771	-	-	-	(1,595,771)	-	(1,595,771)
Total Governmental Activities	44,988,007	277,262	8,273,958	392,944	(36,043,843)	-	(36,043,843)
Business-Type Activities							
Food services	1,114,598	399,105	597,121	-	-	(118,372)	(118,372)
Total Primary Government	$ 46,102,605	$ 676,367	$ 8,871,079	$ 392,944	(36,043,843)	(118,372)	(36,162,215)
General Revenues							
Taxes:							
Property taxes					27,212,922	-	27,212,922
Public utility realty, earned income, and mercantile taxes					2,699,537	-	2,699,537
Grants, subsidies, and contributions not restricted for a specific program					7,504,532	-	7,504,532
Investment earnings					308,709	126	308,835
Miscellaneous income					62,997	-	62,997
Transfers					(1,671)	1,671	-
Special Item - building sale					(1,116,687)	-	(1,116,687)
Total General Revenues, Transfers, and Special Items					36,670,339	1,797	36,672,136
Change in Net Position					626,496	(116,575)	509,921
Net Position (Deficit) - Beginning of year					(20,094,839)	(865,641)	(20,960,480)
Net Position (Deficit) - End of year					$ (19,468,343)	$ (982,216)	$ (20,450,559)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	$ 5,955,968	$ 2,963,017	$ -	$ 8,918,985
Interfund receivable	5,785	412,900	-	418,685
Taxes receivable	708,460	-	-	708,460
Intergovernmental receivables	1,548,134	-	-	1,548,134
Other receivables	30,437	-	-	30,437
TOTAL ASSETS	$ 8,248,784	$ 3,375,917	$ -	$ 11,624,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payable	$ 418,332	$ -	$ -	$ 418,332
Accounts payable	314,819	-	-	314,819
Current portion of compensated absences	55,524	-	-	55,524
Payroll accruals and withholdings	2,458,975	-	-	2,458,975
TOTAL LIABILITIES	3,247,650	-	-	3,247,650
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	439,962	-	-	439,962
FUND BALANCES				
Restricted	-	3,375,917	-	3,375,917
Committed for retirement rate increases	1,144,819	-	-	1,144,819
Assigned	619,152	-	-	619,152
Unassigned	2,797,201	-	-	2,797,201
TOTAL FUND BALANCES	4,561,172	3,375,917	-	7,937,089
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,248,784	$ 3,375,917	$ -	$ 11,624,701

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

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

June 30, 2020

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS		$ 7,937,089
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $94,937,316 and the accumulated depreciation is $33,665,679.		61,271,637
Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		431,163
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	$ (21,905,000)	
Accrued interest on bonds	(66,010)	
Unamortized bond premium	(863,384)	
Unamortized bond discount	8,599	
Deferred charge on bond refunding	235,045	
Long-term portion of compensated absences	(935,120)	(23,525,870)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(59,818,223)
The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(5,764,139)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (19,468,343)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local sources	$ 30,880,281	$ 124,359	$ -	$ 31,004,640
State sources	15,243,671	-	-	15,243,671
Federal sources	497,025	-	-	497,025
TOTAL REVENUES	46,620,977	124,359	-	46,745,336
EXPENDITURES				
Current:				
Instructional services	28,140,395	-	-	28,140,395
Support services	12,739,040	-	-	12,739,040
Operation of noninstructional services	716,792	-	-	716,792
Capital outlay	-	6,632,396	-	6,632,396
Debt service:				
Principal	-	-	4,085,000	4,085,000
Interest	-	-	916,084	916,084
Refund of prior year revenues	234	-	-	234
TOTAL EXPENDITURES	41,596,461	6,632,396	5,001,084	53,229,941
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,024,516	(6,508,037)	(5,001,084)	(6,484,605)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	390,210	-	-	390,210
Transfers in	-	1,014,395	5,001,084	6,015,479
Transfers out	(6,017,150)	-	-	(6,017,150)
TOTAL OTHER FINANCING SOURCES (USES)	(5,626,940)	1,014,395	5,001,084	388,539
NET CHANGE IN FUND BALANCES	(602,424)	(5,493,642)	-	(6,096,066)
FUND BALANCES - BEGINNING OF YEAR	5,163,596	8,869,559	-	14,033,155
FUND BALANCES - END OF YEAR	$ 4,561,172	$ 3,375,917	$ -	$ 7,937,089

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (6,096,066)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlays	$ 6,614,196	
Less: loss on disposal	(1,506,897)	
Less: depreciation expense	(2,096,464)	3,010,835
Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds.		(12,475)
Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of bond principal	4,085,000	
Amortization of bond premium	295,313	
Amortization of bond discount	(2,948)	
Amortization of deferred charge on bond refunding	(209,959)	4,167,406
Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.		10,330
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:		
Compensated absences	(73,754)	
Net pension liability and related deferred outflows and inflows	(255,192)	
Net OPEB liability and related deferred outflows and inflows	(124,588)	(453,534)
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 626,496

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2020

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and investments	$ 153,305
Interfund receivable	5,432
Intergovernmental receivables	32,578
Inventories	6,067
TOTAL CURRENT ASSETS	197,382
NONCURRENT ASSETS	
Furniture and equipment, net	84,510
TOTAL ASSETS	281,892
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	137,301
Deferred outflows of resources for other postemployment benefits	36,412
TOTAL DEFERRED OUTFLOWS OF RESOURCES	173,713
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	1,579
Accrued expenses	6,914
Compensated absences	6,175
Unearned revenues	59
Other liabilities	32,724
TOTAL CURRENT LIABILITIES	47,451
NONCURRENT LIABILITIES	
Net pension liability	1,146,957
Net other postemployment benefit liabilities	93,780
TOTAL LIABILITIES	1,288,188
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	145,297
Deferred inflows of resources for other postemployment benefits	4,336
TOTAL DEFERRED INFLOWS OF RESOURCES	149,633
NET POSITION	
Investment in capital assets	84,510
Unrestricted (deficit)	(1,066,726)
TOTAL NET POSITION (DEFICIT)	$ (982,216)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
OPERATING REVENUES	
Food service revenue	$ 399,105
OPERATING EXPENSES	
Salaries	324,650
Employee benefits	218,240
Pension and OPEB valuation adjustments	22,087
Supplies	453,927
Depreciation	1,415
Other operating expenses	83,639
TOTAL OPERATING EXPENSES	1,103,958
OPERATING LOSS	(704,853)
NONOPERATING REVENUES (EXPENSES)	
Earnings on investments	126
State sources	89,526
Federal sources	507,595
Loss on sale of capital assets	(10,640)
TOTAL NONOPERATING REVENUES	586,607
LOSS BEFORE TRANSFERS	(118,246)
TRANSFERS IN	1,671
CHANGE IN NET POSITION	(116,575)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(865,641)
NET POSITION (DEFICIT) - END OF YEAR	$ (982,216)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from users	$ 403,715
Payments to employees for services	(587,485)
Payments to suppliers for goods and services	(465,413)
NET CASH USED FOR OPERATING ACTIVITIES	(649,183)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	92,107
Federal sources	466,742
Transfers In	1,671
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	560,520
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	126
NET DECREASE IN CASH AND CASH EQUIVALENTS	(88,537)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	241,842
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 153,305

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	$ (704,853)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,415
Donated commodities used	65,074
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Receivables	(1,672)
Inventories	19,533
Deferred outflows of resources for pension	59,190
Deferred outflows of resources for other postemployment benefits	5,016
Accounts payable	(27,548)
Compensated absences	(15,715)
Unearned revenues	(13,786)
Other liabilities	6,282
Net pension liability	(130,973)
Net other postemployment benefit liabilities	(6,075)
Deferred inflows of resources for pension	94,910
Deferred inflows of resources for other postemployment benefits	19
Total adjustments	55,670
NET CASH USED FOR OPERATING ACTIVITIES	$ (649,183)
NONCASH NONCAPITAL FINANCING ACTIVITIES	
During the year, the District used $65,074 of commodities from the U.S. Department of Agriculture	$ 65,074

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	Private Purpose Trust Funds	Agency Fund (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 76,743	$ 129,863
Interfund receivable	1,279	-
TOTAL ASSETS	78,022	$ 129,863
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Interfund payable	5,785	$ 1,279
Other current liabilities	-	128,584
TOTAL LIABILITIES	5,785	$ 129,863
NET POSITION HELD IN TRUST	$ 72,237	

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUNDS

For the Year Ended June 30, 2020

	Private Purpose Trust Funds
ADDITIONS	
Contributions	$ 23,776
Earnings on investments	21
TOTAL ADDITIONS	23,797
DEDUCTIONS	
Supplies	5,785
Scholarships	22,384
TOTAL DEDUCTIONS	28,169
CHANGE IN NET POSITION	(4,372)
NET POSITION - BEGINNING OF YEAR	76,609
NET POSITION - END OF YEAR	$ 72,237

See accompanying notes.

Fleetwood Area School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District's tax base consists of the Townships of Maidencreek and Richmond, and the Borough of Fleetwood. The Fleetwood Area School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the School District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the School District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fleetwood Area School District have been prepared in accordance 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 authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the reporting entity has been defined to include all criteria for which the District is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the District's financial statements is provided in the following paragraph.

Blended Component Unit
Some component units, despite being legally separate from the primary government (School District), are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component unit reported in this way is the Fleetwood Area School District Foundation. The Foundation raises funds to enhance the programs and athletic facilities of the School District.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career & Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component unit from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are reported by fund type.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District Reports the Following Major Governmental Funds:

***General Fund*:** This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

Debt Service Fund: This fund is established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt of governmental funds.

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are the private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and state subsidies are considered non-operating revenues as no exchange transaction occurs.

The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

E. Budgetary Process

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

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. 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.

F. Financial Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories and Prepaid Items

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

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on-hand at June 30, 2020, consist of the following:

Purchased food and supplies	$ 6,008
Donated commodities	59
	$ 6,067

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

5. Capital Assets, Depreciation, and Amortization

The District's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their estimated fair value at the date of donation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

The District generally capitalizes assets with costs of $4,000 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than $4,000 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase of the business-type activities is included in the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Assets	Years
Buildings and building improvements	20 - 50
Site improvements	15 - 20
Furniture and equipment	5 - 20

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2020.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental, and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

8. Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days, as well as earned severance pay for years of service, based on employment agreements. Payments for severance, vacation, sick pay, and personal leave are expensed as paid in the governmental fund statements. Accumulated severance, vacation, personal, and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated severance, vacation, personal, or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

9. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The District accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Other Postemployment Benefits (OPEB)

The District's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

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

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The District has three items that qualify for reporting in this category:

A *deferred charge on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category.

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

Deferred inflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

13. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of directors may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or review a commitment.

The District's unassigned fund balance of the General Fund should not be less than 5% of the following year's budgeted expenditures. In any fiscal year where the school district is unable to maintain this minimum reservation of fund balance, the school district shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The District's policy is to decide at the time an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balance. The decision will be at the discretion of the superintendent or designee.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District had no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)
For the year ended June 30, 2020, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions,* GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, created the following deficiency in net position as of June 30, 2020:

	Food Service Fund
Net position before effects of GASB statements noted below	$ 234,441
Cumulative effect of GASB statement Nos. 68 and 71	(1,154,953)
Cumulative effect of GASB statement No. 75	(61,704)
Ending net position (deficit)	$ (982,216)

The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS. For the year ended June 30, 2020, the net deficiency in the Food Service Fund increased $116,575 with $94,488 related to a loss from operations due to the impact of COVID-19.

NOTE 3 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

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

The breakdown of total cash and investments at June 30, 2020, is as follows:

Cash	$ 3,326,347
Pooled cash and investments	5,952,549
	$ 9,278,896

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. At June 30, 2020, the carrying amount of the District's deposits was $3,326,347 and the bank balance was $4,798,336. Of the bank balance, $500,000 was covered by federal depository insurance and $4,298,336 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

As of June 30, 2020, the District had the following investments:

	Maturities	Fair Value	Carrying Value
PA School District Liquid Asset Fund (PSDLAF):			
Full flex pool	< 1 year	$ 1,450,000	$ 1,450,000
MAX account balance		4,502,549	4,502,549
	Total investments		$ 5,952,549

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include $5,952,549 (PSDLAF), at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

As of June 30, 2020, the entire PSDLAF book balance of $5,952,549 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk
The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the District's investment in certificates and securities of U.S. agencies had maturity dates of less than one year.

Credit Risk
The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the District's investments were rated as:

Investment	Standard & Poor's
PA School District Liquid Asset Fund	AAA

Concentration of Credit Risk
The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2020, the District has no investments subject to concentration of credit risk.

Custodial Credit Risk
For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has three independently elected tax collectors who are responsible for the collection of taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at $863,927,000. In accordance with Act 1 of 2006, the District received $1,126,690 in property tax reduction funds for the 2019/2020 fiscal year. The District's tax rate for the year ended June 30, 2020, was 33.11 mills ($33.11 per $1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date - All taxes unpaid become delinquent and are turned over to the County Tax Claims Bureau for collection.

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance reported as unavailable revenue under deferred inflows of resources in the fund financial statements.

The balances at June 30, 2020, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate property tax	$ 495,360	$ 8,799	$ 486,561	$ 55,398	$ 439,962
Other taxes - interims, earned income, real estate transfer	213,100	-	213,100	213,100	-
	$ 708,460	$ 8,799	$ 699,661	$ 268,498	$ 439,962

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2020:

Name of Government Unit	General Fund	Enterprise Food Service
Commonwealth of Pennsylvania:		
Social Security	$ 250,162	$ -
Retirement	1,168,160	-
PAsmart Grant	22,647	-
National School Lunch and Breakfast Program	-	1,321
Berks County IU - Special Education Grants to States	103,919	-
Federal Subsidies:		
Title I Grants to Local Education Agencies	808	-
Supporting Effective Instruction State Grant	955	-
English Language Acquisition State Grants	1,483	-
COVID-19 Child Nutrition Cluster	-	31,257
	$ 1,548,134	$ 32,578

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following schedule represents the interfund receivables/payables at June 30, 2020:

	Interfund Receivables	Interfund Payables
Fund:		
General Fund	$ 5,785	$ 418,332
Capital Projects Fund	412,900	-
Enterprise Fund - Food Service	5,432	-
Private Purpose Trust Funds	1,279	5,785
Agency Fund - Student Activities	-	1,279
	$ 425,396	$ 425,396

Interfund receivables and payables exist as a result of a time lag between dates when payments between funds are made. All will be paid within one year.

Interfund Transfers

The District made the following interfund operating transfers during the fiscal year ended June 30, 2020:

	Transfers In	Transfers Out
Fund:		
General Fund	$ -	$ 6,017,150
Capital Projects Fund	1,014,395	-
Debt Service Fund	5,001,084	-
Enterprise Fund - Food Service	1,671	-
	$ 6,017,150	$ 6,017,150

Interfund transfers from general fund are made to cover negative student account balances in the food service fund, meet debt service requirements, and reserve for future capital needs.

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

Governmental Activities

	Beginning Balance	Increase	Reclassify Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,144,880	$ -	$ (76,035)	$ 2,068,845
Construction in progress	2,450,143	3,323,871	(2,450,143)	3,323,871
Totals not being depreciated	4,595,023	3,323,871	(2,526,178)	5,392,716
Capital assets being depreciated:				
Buildings and building improvements	76,269,075	2,758,647	(1,142,439)	77,885,283
Site improvements	6,624,088	468,095	172,804	7,264,987
Furniture and equipment	4,413,171	63,583	(82,424)	4,394,330
Total being depreciated	87,306,334	3,290,325	(1,052,059)	89,544,600
Less accumulated depreciation for:				
Buildings and building improvements	28,366,236	1,780,078	(1,932,678)	28,213,636
Site improvements	2,163,904	149,256	(64,484)	2,248,676
Furniture and equipment	3,110,415	167,130	(74,178)	3,203,367
Total accumulated depreciation	33,640,555	2,096,464	(2,071,340)	33,665,679
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	53,665,779	1,193,861	1,019,281	55,878,921
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 58,260,802	$ 4,517,732	$ (1,506,897)	$ 61,271,637

Business-Type Activities

Capital assets being depreciated:				
Equipment	$ 899,138	$ -	$ (54,782)	$ 844,356
Less accumulated depreciation for equipment	802,573	1,415	(44,142)	759,846
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 96,565	$ (1,415)	$ (10,640)	$ 84,510

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

Instruction	$ 363,872
Instructional student support	81,055
Operation and maintenance of plant services	49,681
Pupil transportation	3,706
Community services	2,379
Unallocated depreciation	1,595,771
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 2,096,464

Included as a special item on the statement of activities is a $1,116,687 loss on disposal of a former elementary building and its related capital assets.

NOTE 8 - LONG-TERM LIABILITIES

The District issues general obligation bonds to provide resources for major capital improvements. The bonds are direct obligations issued on a pledge of the full faith and credit of the District as well as their general taxing authority.

General obligation bonds outstanding are as follows at June 30, 2020:

General Obligation Bonds, Series of 2018: The General Obligation Bonds, Series of 2018, aggregate principal of $2,110,000, were issued on September 12, 2018, for the purpose of refunding a portion of the School District's outstanding General Obligation Bonds, Series of 2013 and to pay debt issuance costs. The bonds mature from June 1, 2019 to June 1, 2023. Interest rates range from 1.65% to 4%. The refunding resulted in a net cash flow loss of $154,555 and a present value cash flow loss of $16,047.	$ 2,100,000
General Obligation Bonds, Series of 2018A: The General Obligation Bonds, Series of 2018A, aggregate principal of $9,620,000, were issued on September 12, 2018, to finance various capital projects and to pay debt issuance costs. The bonds mature from June 1, 2019 to June 1, 2026. Interest rates range from 1.65% to 4%.	9,610,000

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds, Series of 2015: The General Obligation Bonds, Series of 2015, aggregate principal of $16,440,000, were issued on June 17, 2014, for the purpose of advance refunding a portion of the School District's outstanding General Obligation Bonds, Series of 2009 and to finance various capital projects. The bonds mature from June 1, 2016 to June 1, 2023. Interest rates range from 1% to 5%. The refunding resulted in a net cash flow savings of $781,299 and a present value cash flow savings of $735,216.	6,090,000
General Obligation Bonds, Series of 2013: The General Obligation Bonds, Series of 2013, aggregate principal of $9,985,000, were issued on October 23, 2013, for the purpose of advance refunding a portion of the School District's outstanding General Obligation Bonds, Series of 2007. The bonds mature from June 1, 2014 to June 1, 2023. Interest rates range from 0.35% to 3%. The refunding resulted in a net cash flow savings of $615,938 and a present value cash flow savings of $620,158.	4,105,000
Total Bonds Payable	$ 21,905,000

The future annual payments required to amortize all bonds outstanding for the years ending June 30 are as follows:

	Principal	Interest	Total
2021	$ 4,210,000	$ 792,214	$ 5,002,214
2022	4,345,000	644,595	4,989,595
2023	4,365,000	475,755	4,840,755
2024	4,205,000	326,100	4,531,100
2025	4,350,000	180,250	4,530,250
2026	430,000	12,900	442,900
	$ 21,905,000	$ 2,431,814	$ 24,336,814

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	$ 25,990,000	$ -	$ 4,085,000	$ 21,905,000	$ 4,210,000
Premiums	1,158,697	-	295,313	863,384	-
Discount	(11,547)	-	(2,948)	(8,599)	-
Total payable	27,137,150	-	4,377,365	22,759,785	4,210,000
Compensated absences	926,984	195,294	131,634	990,644	55,524
Net pension liability	66,697,070	3,485,291	6,161,318	64,021,043	-
Net other postemployment benefit liabilities	5,717,385	344,585	255,194	5,806,776	-
Total governmental long-term liabilities	$ 100,478,589	$ 4,025,170	$ 10,925,511	$ 93,578,248	$ 4,265,524
Business-Type Activities					
Compensated absences	$ 21,890	$ -	$ 15,715	$ 6,175	$ 6,175
Net pension liability	1,277,930	-	130,973	1,146,957	-
Net other postemployment benefit liabilities	99,855	4,979	11,054	93,780	-
Total business-type long-term liabilities	$ 1,399,675	$ 4,979	$ 157,742	$ 1,246,912	$ 6,175

Payments on bonds payable are made by the general fund via transfer to the debt service fund. The compensated absences liabilities will be liquidated by the general and food service funds. Total interest expense paid during the year was $916,084. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

Events of Default

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

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

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 10 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.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Changes in benefit terms:

With the passage of Act 5 on June 12, 2017, Class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Contributions

The contribution policy is set by state statute and requires contributions by active members, employees, and the Commonwealth of Pennsylvania.

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% 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 $6,467,719 for the year ended June 30, 2020.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

Employer Contributions - continued:

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020, for pension and OPEB benefits was $3,704,777.

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

At June 30, 2020, the District reported a liability of $65,168,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1393%, which was a decrease of 0.0023% from its proportion measured as of June 30, 2019.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2020, the District recognized pension expense of $6,746,038. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 359,000	$ 2,160,000
Changes in assumptions	623,000	-
Net difference between projected and actual investment earnings	-	187,000
Changes in proportion - plan level	817,000	1,867,000
Changes in proportion - internal	71,131	71,131
Difference between employer contributions and proportionate share of total contributions	142,105	-
Contributions made subsequent to the measurement date	6,467,719	-
	$ 8,479,955	$ 4,285,131

The $6,467,719 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	$ (26,558)
2022	(1,459,488)
2023	(908,620)
2024	121,771
	$ (2,272,895)

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015.

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

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	100.0%	

Discount Rate

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

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$ 81,174,000	$ 65,168,000	$ 51,615,000

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of $2,095,721. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2020.

Pension Reform - Commonwealth of Pennsylvania Act 5 of 2017

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the District were $17,449 for the year ended June 30, 2020.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The District has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2020 are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	$ 2,963,000	$ 335,856	$ 199,000
District OPEB Plan	2,937,556	312,281	374,424
Total	$ 5,900,556	$ 648,137	$ 573,424

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

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

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $162,856 for the year ended June 30, 2020.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions - continued

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020, for pension and OPEB benefits was $3,704,777.

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2020, the District reported a liability of $2,963,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1393%, which was a decrease of 0.0023% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of $132,684. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,000	$ -
Changes in assumptions	98,000	88,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportion	53,000	111,000
Contributions made subsequent to the measurement date	162,856	-
	$ 335,856	$ 199,000

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The $162,856 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	$ (13,000)
2022	(13,000)
2023	(14,000)
2024	(14,000)
2025	25,000
Thereafter	3,000
Total	$ (26,000)

Actuarial Assumptions

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

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017, determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% 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 PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2019 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
District's proportionate share of the net OPEB liability	$ 2,962,000	$ 2,963,000	$ 2,963,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	$ 3,375,000	$ 2,963,000	$ 2,621,000

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS of $2,095,721, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2020.

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

Fleetwood Area School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug, and dental insurance for eligible retirees through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided

The District classifies employees in the following categories: Administrators, Teachers, Support Staff, All Employees. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Administrators

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
A. Retired Superintendent	If the member retires through PSERS and after the completion of the contract in effect, the member and spouse will receive full paid medical and prescription drug coverage until each reaches Medicare age. If the member is eligible for the PSERS premium assistance, the member must forward this amount to the district.	The member and spouse may both continue benefits until Medicare eligibility.
B. All other Administrators and current Superintendent - Retirement through PSERS	Act 110/43	Same as I-A

II. Teachers

Same as I-B	Same as I-B	Same as I-A

III. Support Staff

Same as I-B	Same as I-B	Same as I-A

IV. All Employees

Active member death	Upon the death of an active employee, the spouse may continue coverage by paying the full premiums.	The spouse may continue benefits until Medicare eligibility.

Act 110/43 Coverage and Premium Sharing: 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.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

PSERS Supplement: A retiree may receive a $100 monthly medical reimbursement from PSERS if he (or she) meets one of the following qualifications at retirement:

1) 24.5 years of PSERS service.
2) Upon superannuation retirement with at least 15 years of PSERS service.

PSERS Retirement:

1) For individuals who are members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement with under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2018, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	343
Vested former participants	5
Retired participants	25
Total	373

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2019, was determined by rolling forward the District's total OPEB liability as of July 1, 2018 to July 1, 2019, 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.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 3.36% - based on the Standards & Poor's Municipal Bond 20 Year High Grade Rate Index at 7/1/19.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - The Superintendent is assumed to elect coverage upon retirement. 60% of Teachers and Administrators and 25% of the Support Staff are assumed to elect coverage. 0% of spouses are assumed to elect coverage upon the death of an active employee. 50% of Vested Former Members are assumed to elect coverage at 62.

The actuarial assumptions were selected using input from the District based on actual experience.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	$ 2,865,240
Changes for the year:	
Service cost	177,740
Interest	88,960
Changes in assumptions	(87,820)
Benefit payments	(106,564)
	72,316
Balance at June 30, 2020	$ 2,937,556

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.98% to 3.36%.

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

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

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
OPEB Plan - Total OPEB liability	$ 3,172,598	$ 2,937,556	$ 2,715,761

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB Liability	$ 2,571,024	$ 2,937,556	$ 3,371,735

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

For the year ended June 30, 2020, the District recognized OPEB expense of $251,445. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 165,585	$ -
Changes of assumptions	48,971	374,425
Benefit payments made subsequent to the measurement date	97,725	-
	$ 312,281	$ 374,425

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The $97,725 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	$ (15,254)
2022	(15,254)
2023	(15,254)
2024	(15,254)
2025	(15,254)
Thereafter	(83,599)
Total	$ (159,869)

NOTE 11 - OTHER EMPLOYEE BENEFITS

Early Retirement Incentive Plan

A Fleetwood Area School District professional employee, who meets the following eligibility criteria, must submit a letter of retirement intent to the superintendent no later than April 1st of the school year. The employee, who plans to retire, will receive payment within 60 days following the last day of employment.

Any professional employee with 30 to 35 years of teaching experience, 15 years of which have been in Fleetwood Area School District, and any administrative employee with at least 30 years of service of which 10 years must be with Fleetwood Area School District is eligible for this plan.

Employees who have retired in accordance with the provisions of this plan shall have the option to take a lump sum distribution of $10,000. If this incentive payment is chosen, then the employee is not eligible for severance pay under their contracts.

There was one incentive payout for the year ended June 30, 2020.

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2019/2020 year was $997,893.

Summary financial information as of June 30, 2019 (the most recent information available) is as follows:

Berks Career & Technology Center (Governmental Activities)	
Total assets and deferred outflows of resources	$ 31,545,553
Total liabilities and deferred inflows of resources	30,831,350
Total net position	$ 714,203

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

NOTE 13 - RISK MANAGEMENT

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. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages of the 2019/2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS - CONTINUED

The District has entered into an agreement for the transportation of students. The Agreement is for the period of July 1, 2017 through June 30, 2021. The contractor provides all equipment, fuel, and labor necessary. The cost for the transportation services is determined based on a yearly base service cost, which is reconciled prior to June 30th each year.

At June 30, 2020, the District has entered into a contract related to a school renovation project. The contract awarded and commitment outstanding is as follows:

	Contract Amount	Commitment Remaining
Performance-based energy saving project	$ 5,228,162	$ 1,904,291

The District plans to use existing resources in the capital projects fund to satisfy the remaining commitments.

NOTE 15 - LEASE AGREEMENTS

Lease with YMCA

In June 2010, the District entered into a lease with the YMCA of Reading and Berks County (YMCA), whereby, the District will lease property adjacent to the recently erected elementary school for the YMCA to develop the property for use as a YMCA facility with a swimming pool. The lease period is for 29 years and 11 months with the ability to renew for an additional term of 29 years. Base rent is $1 payable annually. In addition, the YMCA is responsible for all taxes, utilities, and other such costs. The YMCA will have the right to use the School District gymnasium and in return the District will have the right to use the YMCA facility constructed on the school property for the physical education of the District's students. With the agreement, the YMCA has the right to construct structures, buildings, and improvements on District property at the YMCA's sole cost and expense upon review and approval by the District.

Lease of Elementary School Facility

During 2009, the District stopped using an old elementary school building and have entered into leases for the use of the facility with external parties. The first agreement is for a three-year period through July 31, 2019, with annual rent of $22,555 in the first year, $23,114 in the second year, and $23,673 for the third year. Upon agreement by parties, effective August 1, 2019, the lease is continuing on a month-to-month basis based on annual rent of $25,948. This lease was terminated effective September 1, 2020.

NOTE 15 - LEASE AGREEMENTS - CONTINUED

Lease of Elementary School Facility - continued

The second agreement is for a three-year period through July 31, 2019 with annual rent of $36,363 in the first year and $37,264 in both the second year and third year. Upon agreement by parties, effective August 1, 2019, the lease is continuing on a month-to-month basis based on annual rent of $63,713. This lease was terminated effective September 1, 2020.

The third agreement is for a three-year term effective September 1, 2015 through August 31, 2018. Annual rent is $65,753 for the first year, $71,022 for the second year, and $73,754 for the third year of the agreement. This was extended for an additional year through August 31, 2019 at $76,300. The lease is continuing on a month-to-month basis at the same rate until a new agreement is reached.

NOTE 16 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies.* Fund balance classifications for the year ended June 30, 2020, are as follows:

General Fund

The general fund has committed funds of $1,144,819 for retirement rate increases, assigned fund balance of $619,152 for subsequent year's budget appropriation, and unassigned fund balance of $2,797,201. The commitment was authorized by the school board of directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects Fund

The capital projects fund has restricted funds of $3,375,917 consisting of $1,898,132 of unspent bond funds, and $1,477,785 as authorized by Municipal Code P.L. 145 Act of April 30, 1943 and comprised of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and capital assets.

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2021.

- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2022.

- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the District's fiscal year ending June 30, 2022.

- Statement No. 90, *Majority Equity Interests* - an Amendment of GASB Statements No. 14 and No. 61 - This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for the District's fiscal year ending June 30, 2021.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

FLEETWOOD AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2020

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources	$ 30,823,536	$ 30,823,536	$ 30,880,281	$ 56,745
State sources	15,403,539	15,403,539	15,243,671	(159,868)
Federal sources	512,729	512,729	497,025	(15,704)
TOTAL REVENUES	46,739,804	46,739,804	46,620,977	(118,827)
EXPENDITURES				
INSTRUCTIONAL SERVICES				
Regular programs - elementary/secondary	19,106,288	19,104,229	18,719,338	384,891
Special programs - elementary/secondary	6,814,507	6,814,474	7,532,234	(717,760)
Vocational education	1,854,916	1,855,026	1,877,112	(22,086)
Other instructional programs - elementary/secondary	30,910	30,910	1,837	29,073
Nonpublic school programs	5,000	5,000	9,874	(4,874)
TOTAL INSTRUCTIONAL SERVICES	27,811,621	27,809,639	28,140,395	(330,756)
SUPPORT SERVICES				
Students	1,514,224	1,510,224	1,420,215	90,009
Instructional staff	2,162,928	2,164,386	2,397,963	(233,577)
Administration	2,409,644	2,414,093	2,296,127	117,966
Pupil health	595,986	595,986	575,848	20,138
Business	554,149	554,149	561,712	(7,563)
Operation and maintenance of plant	3,601,266	3,601,341	3,500,729	100,612
Student transportation	1,989,159	1,989,159	1,527,952	461,207
Central	369,697	369,697	426,560	(56,863)
Other	30,500	30,500	31,934	(1,434)
TOTAL SUPPORT SERVICES	13,227,553	13,229,535	12,739,040	490,495
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student activities	715,543	715,543	702,399	13,144
Community services	8,000	8,000	14,393	(6,393)
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	723,543	723,543	716,792	6,751
Refund of prior year revenues	-	-	234	(234)
TOTAL EXPENDITURES	41,762,717	41,762,717	41,596,461	166,256
EXCESS OF REVENUES OVER EXPENDITURES	4,977,087	4,977,087	5,024,516	47,429
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	390,210	390,210
Transfers out	(5,014,084)	(5,014,084)	(6,017,150)	(1,003,066)
Budgetary reserve	(263,003)	(263,003)	-	263,003
TOTAL OTHER FINANCING SOURCES (USES)	(5,277,087)	(5,277,087)	(5,626,940)	(349,853)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ (300,000)	$ (300,000)	(602,424)	$ (302,424)
FUND BALANCE - BEGINNING OF YEAR			5,163,596	
FUND BALANCE - END OF YEAR			$ 4,561,172	

See note to required supplementary information.

FLEETWOOD AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2019/2020 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2020, no individual fund which had a legally adopted budget had excess expenditures over appropriations.

Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2020. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS - PENSION PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.1393%	0.1416%	0.1381%	0.1437%	0.1441%	0.1442%	0.1361%
District's proportionate share of the collective net pension liability	$ 65,168,000	$ 67,975,000	$ 68,205,000	$ 71,213,000	$ 62,417,000	$ 57,076,000	$ 55,714,000
District's covered payroll	$ 19,204,274	$ 19,075,105	$ 18,383,335	$ 18,609,844	$ 18,544,656	$ 18,403,024	$ 17,462,174
District's proportionate share of the net pension liability as a percentage of its covered payroll	339.34%	356.35%	371.02%	382.66%	336.58%	310.14%	319.06%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms
With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions
None.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 6,467,719	$ 6,271,847	$ 6,067,055	$ 5,437,652	$ 4,661,668	$ 3,818,970	$ 2,958,732	$ 2,012,541	$ 1,388,400	$ 925,965
Contributions in relation to the contractually required contribution	6,467,719	6,271,847	6,067,055	5,437,652	4,661,668	3,818,970	2,958,732	2,012,541	1,388,400	925,965
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 19,368,625	$ 19,204,274	$ 19,075,105	$ 18,383,335	$ 18,609,844	$ 18,544,656	$ 18,403,024	$ 17,462,174		
Contributions as a percentage of covered payroll	33.39%	32.66%	31.81%	29.58%	25.05%	20.59%	16.08%	11.53%		

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.1393%	0.1416%	0.1381%	0.1437%
District's proportionate share of the collective net PSERS OPEB liability	$ 2,963,000	$ 2,952,000	$ 2,814,000	$ 3,095,000
District's covered payroll	$ 19,204,274	$ 19,075,105	$ 18,383,335	$ 18,609,844
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	15.43%	15.48%	15.31%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.56%	5.56%	5.73%	5.47%

The District's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

Changes of Assumptions
Significant changes of assumptions for the June 30, 2019 measurement date are as follows:

- The discount rate changed from 2.98% to 2.79%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 162,856	$ 159,684	$ 158,653	$ 154,563	$ 156,632	$ 167,662	$ 171,976	$ 150,503	$ 112,807	$ 118,523
Contributions in relation to the contractually required contribution	162,856	159,684	158,653	154,563	156,632	167,662	171,976	150,503	112,807	118,523
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 19,368,625	$ 19,204,274	$ 19,075,105	$ 18,383,335	$ 18,609,844	$ 18,544,656	$ 18,403,024	$ 17,462,174		
Contributions as a percentage of covered payroll	0.84%	0.83%	0.83%	0.84%	0.84%	0.90%	0.93%	0.86%		

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
DISTRICT OPEB PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018
Total OPEB liability:			
Service cost	$ 177,740	$ 220,092	$ 204,801
Interest	88,960	93,070	67,417
Changes in benefit terms	-	(7,912)	-
Difference between expected and actual experience	-	198,703	-
Changes in assumptions	(87,820)	(352,707)	63,662
Benefit payments	(106,564)	(86,023)	(84,176)
Net change in total OPEB liability	72,316	65,223	251,704
Total OPEB liability, beginning	2,865,240	2,800,017	2,548,313
Total OPEB liability, ending	$ 2,937,556	$ 2,865,240	$ 2,800,017
Covered Employee Payroll	$ 18,015,996	$ 18,015,996	$ 18,067,066
Total OPEB liability as a percentage of covered employee payroll	16.31%	15.90%	15.50%

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

Changes of Assumptions
Significant changes in assumptions for the July 1, 2019 measurement date are as follows:

- The discount rate changed from 2.98% to 3.36%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

SUPPLEMENTARY INFORMATION

FLEETWOOD AREA SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION -
PRIVATE PURPOSE TRUST FUNDS

June 30, 2020

	Private Purpose Trust Fund	Private Purpose Trust Fund (Foundation)	Totals
ASSETS			
CURRENT ASSETS			
Cash and investments	$ 42,836	$ 33,907	$ 76,743
Interfund receivable	1,279	-	1,279
TOTAL ASSETS	44,115	33,907	78,022
LIABILITIES AND NET POSITION			
LIABILITIES			
Interfund payable	-	5,785	5,785
NET POSITION HELD IN TRUST	$ 44,115	$ 28,122	$ 72,237

FLEETWOOD AREA SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN NET POSITION -
PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2020

	Private Purpose Trust Fund	Private Purpose Trust Fund (Foundation)	Totals
ADDITIONS			
Contributions	$ 22,920	$ 856	$ 23,776
Earnings on investments	21	-	21
TOTAL ADDITIONS	22,941	856	23,797
DEDUCTIONS			
Supplies	-	5,785	5,785
Scholarships	22,384	-	22,384
TOTAL DEDUCTIONS	22,384	5,785	28,169
CHANGE IN NET POSITION	557	(4,929)	(4,372)
NET POSITION - BEGINNING OF YEAR	43,558	33,051	76,609
NET POSITION - END OF YEAR	$ 44,115	$ 28,122	$ 72,237

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Grant Period Beginning/ Ending Dates	Receipts For the Year	Accrued (Unearned) Revenue at June 30, 2019	Revenue Recognized/ Expenditures	Accrued (Unearned) Revenue at June 30, 2020	Passed-Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION										
Passed through the State Department of Education:										
Title I Grants to Local Educational Agencies	I	84.010	013-19-0147	$ 405,318	08/21/18-09/30/19	$ 56,672	$ 56,672	$ -	$ -	$ -
Title I Grants to Local Educational Agencies	I	84.010	013-20-0147	382,782	08/15/19-09/30/20	381,974	-	382,782	808	-
Subtotal - CFDA 84.010						438,646	56,672	382,782	808	-
Supporting Effective Instruction State Grant	I	84.367	020-19-0147	83,812	08/21/18-09/30/19	23,568	23,568	-	-	-
Supporting Effective Instruction State Grant	I	84.367	020-20-0147	73,525	08/15/19-09/30/20	72,570	-	73,525	955	-
Subtotal - CFDA 84.367						96,138	23,568	73,525	955	-
English Language Acquisition State Grants	I	84.365	010-19-0147	10,700	08/21/18-09/30/19	4,586	4,586	-	-	-
English Language Acquisition State Grants	I	84.365	010-20-0147	10,383	08/15/19-09/30/20	8,900	-	10,383	1,483	2,307
Subtotal - CFDA 84.365						13,486	4,586	10,383	1,483	2,307
Student Support and Academic Enrichment Program	I	84.424	144-20-0147	30,335	08/15/19-09/30/20	30,335	-	30,335	-	-
Special Education Cluster (IDEA)										
Passed through the Berks County Intermediate Unit:										
Special Education - Preschool Grants	I	84.173	N/A	4,500	07/01/19-06/30/20	4,500	-	4,500	-	-
Special Education - Grants to States	I	84.027	N/A	397,491	07/01/18-09/30/19	204,412	204,412	-	-	-
Special Education - Grants to States	I	84.027	N/A	384,378	07/01/19-09/30/20	280,459	-	384,378	103,919	-
Passed through the Lancaster Lebanon Intermediate Unit:										
Special Education - Grants to States	I	84.027	N/A	40,000	07/01/18-06/30/19	3,315	3,315	-	-	-
Special Education - Grants to States	I	84.027	N/A	10,000	07/01/19-06/30/20	10,000	-	10,000	-	-
Subtotal - CFDA 84.027						498,186	207,727	394,378	103,919	-
Total Special Education Cluster (IDEA)						502,686	207,727	398,878	103,919	-
TOTAL U.S. DEPARTMENT OF EDUCATION						1,081,291	292,553	895,903	107,165	2,307
U.S. DEPARTMENT OF AGRICULTURE										
Child Nutrition Cluster										
Passed through the State Department of Education:										
School Breakfast Program	I	10.553	N/A	N/A	07/01/18-06/30/19	7,720	7,720	-	-	-
School Breakfast Program	I	10.553	N/A	N/A	07/01/19-06/30/20	36,888	-	36,888	-	-
COVID-19 School Breakfast Program	I	10.553	N/A	N/A	07/01/19-06/30/20	50,520	-	62,627	12,107	-
Subtotal - CFDA 10.553						95,128	7,720	99,515	12,107	-
National School Lunch Program	I	10.555	N/A	N/A	07/01/18-06/30/19	47,758	47,758	-	-	-
National School Lunch Program	I	10.555	N/A	N/A	07/01/19-06/30/20	224,113	-	224,113	-	-
COVID-19 National School Lunch Program	I	10.555	N/A	N/A	07/01/19-06/30/20	99,743	-	118,893	19,150	-
Passed through the State Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/19-06/30/20	51,288	(13,845)	65,074	(59)	-
Subtotal - CFDA 10.555						422,902	33,913	408,080	19,091	-
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						518,030	41,633	507,595	31,198	-
TOTAL FEDERAL AWARDS						$ 1,599,321	$ 334,186	$ 1,403,498	$ 138,363	$ 2,307

I = Indirect Source of Funding

See notes to the schedule of expenditures of federal awards.

FLEETWOOD AREA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Fleetwood Area School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Fleetwood Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Fleetwood Area School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the De Minimis rate for indirect costs.

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. No ACCESS funding classified as fee-for-service was recognized for the year ended June 30, 2020.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District has $59 of food commodity inventory.

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

To the Board of School Directors
Fleetwood Area School District
Fleetwood, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fleetwood Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fleetwood Area School District's basic financial statements, and have issued our report thereon dated October 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
October 19, 2020

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

To the Board of School Directors
Fleetwood Area School District
Fleetwood, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Fleetwood Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fleetwood Area School District's major federal programs for the year ended June 30, 2020. The Fleetwood Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Fleetwood Area School District complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

Herbein + Company, Inc.

Reading, Pennsylvania
October 19, 2020

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	____ yes	X no	
Significant deficiency(ies) identified not considered to be material weaknesses?	____ yes	X none reported	
Noncompliance material to financial statements noted?	____ yes	X no	

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	____ yes	X no	
Significant deficiency(ies) identified not considered to be material weaknesses?	____ yes	X none reported	
Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	____ yes	X no	

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee? X yes ____ no

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

There were no financial statements findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.

FLEETWOOD AREA SCHOOL DISTRICT

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STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.