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FLEETWOOD AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 in the first paragraph 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, effective July 1, 2020, Fleetwood Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and the pension and other postemployment benefit information on pages 76 through 80, 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 nonmajor governmental 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 nonmajor governmental 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 nonmajor governmental 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, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
October 19, 2021

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, 2021, 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, 2021. 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

Due to the ongoing COVID-19 pandemic and the continued concern for the health and safety of all students and staff, the District operated in a hybrid model for the duration of the 2020-2021 school year. Students were split by alphabet to attend on a two day per week schedule with the remaining three days of education completed virtually. In March 2021, students were phased back in to a four day in-person learning model or had the option to remain hybrid or fully virtual. As a result of these options, the District experienced increased expenses in technology resources to continue to operate all learning models, as well as decreased costs in transportation due to students only attending school four out of five days per week. Additionally, the food service fund also experienced a revenue loss due to a decrease in student participation and attendance changes.

The District's overall financial position, as reflected in total net position, increased by $1,331,376 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 $17,936,146 as of June 30, 2021.

The District reduced the amount of outstanding general obligation debt by $1,960,000.

Effective July 1, 2020, the District adopted a new accounting standard related to the reporting of Fiduciary Activities. The District had previously reported its student activities fund and private purpose trust funds (Education Foundation and scholarships fund) as fiduciary funds. With the adoption of this standard, these funds do not meet the requirements to be reported as fiduciary funds and are reported as special revenue funds effective July 1, 2020. The adoption of this standard resulted in the District restating beginning net position as of July 1, 2020 in governmental activities for $200,821 to account for the net position of the student activities, Education Foundation and scholarships funds as of June 30, 2020.

In governmental funds, total fund balance decreased by $1,738,559. This is comprised of a $619,152 decrease in the general fund and a $1,101,300 decrease in the capital projects fund due to ongoing capital improvements.

The net position of the business-type activities decreased by $107,269 with an ending net deficit of $1,089,485 as of June 30, 2021. The decrease in net position for the year was due to the impact of the COVID-19 pandemic on operations of the food service fund.

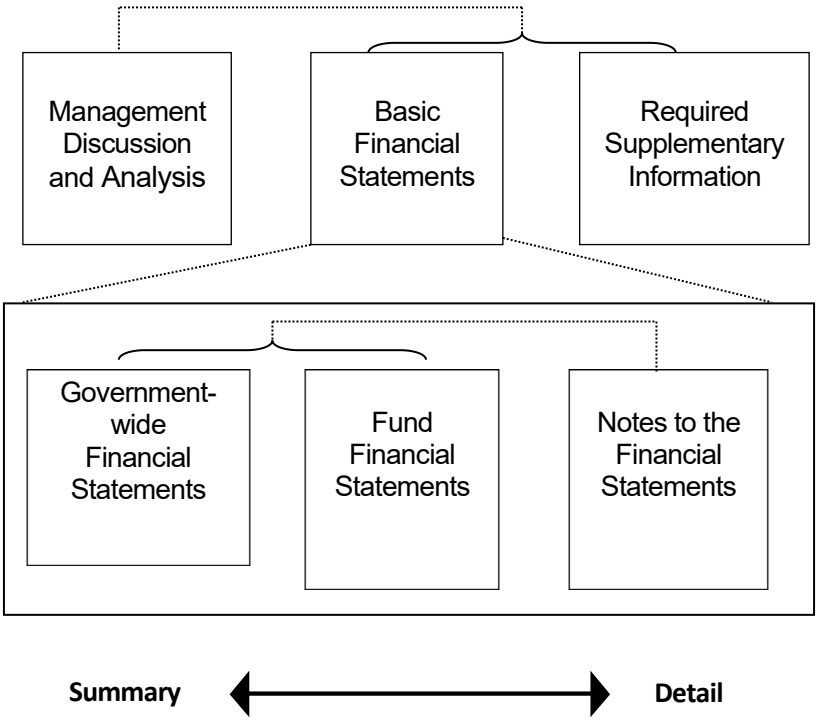
Fleetwood Area School District

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Business Manager

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



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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 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

	Government-wide Statements	Fund 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
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, 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.

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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.

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.

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A comparative analysis of fiscal year 2020-2021 to 2019-2020:

Table A-1
Fiscal Year ended June 30, 2021
Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Current and other assets	$ 11,313,129	$ 11,197,570	$ 73,316	$ 197,382	$ 11,386,445	$ 11,394,952
Capital assets	61,436,699	61,271,637	84,425	84,510	61,521,124	61,356,147
Total assets	72,749,828	72,469,207	157,741	281,892	72,907,569	72,751,099
Deferred outflows of resources	11,936,780	9,189,424	167,582	173,713	12,104,362	9,363,137
Current and other liabilities	7,751,655	7,105,328	58,223	47,451	7,809,878	7,152,779
Long-term liabilities including pension	91,267,676	89,312,724	1,123,755	1,240,737	92,391,431	90,553,461
Total Liabilities	99,019,331	96,418,052	1,181,978	1,288,188	100,201,309	97,706,240
Deferred inflows of resources	3,603,423	4,708,922	232,830	149,633	3,836,253	4,858,555
Net Position (deficit)						
Net investment in capital assets	41,999,168	39,423,723	84,425	84,510	42,083,593	39,508,233
Restricted	2,457,331	2,699,091	-	-	2,457,331	2,699,091
Unrestricted	(62,392,645)	(61,591,157)	(1,173,910)	(1,066,726)	(63,566,555)	(62,657,883)
Total Net Position (Deficit)	**$ (17,936,146)**	**$ (19,468,343)**	**$ (1,089,485)**	**$ (982,216)**	**$ (19,025,631)**	**$ (20,450,559)**
Restated - Implementation of GASB	-	200,821	-	-	-	200,821
Total Net Position (Deficit)	**$ (17,936,146)**	**$ (19,267,522)**	**$ (1,089,485)**	**$ (982,216)**	**$ (19,025,631)**	**$ (20,249,738)**

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.

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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.

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 2020-2021 to 2019-2020.

Table A-2
Fiscal Year ended June 30, 2021
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
REVENUES						
Program revenues						
Charges for services	$ 185,169	$ 277,262	$ 22,226	$ 399,105	$ 207,395	$ 676,367
Operating grants and contributions	9,421,898	8,273,958	752,702	597,121	10,174,600	8,871,079
Capital grants and contributions	272,947	392,944	-	-	272,947	392,944
General revenues						
Property taxes	27,608,332	27,212,922	-	-	27,608,332	27,212,922
Other taxes	2,882,147	2,699,537	-	-	2,882,147	2,699,537
Grants, subsidies and contributions, unrestricted	7,493,096	7,504,532	-	-	7,493,096	7,504,532
Other	51,382	370,035	582	1,797	51,964	371,832
TOTAL REVENUES	$ 47,914,971	$ 46,731,190	$ 775,510	$ 998,023	$ 48,690,481	$ 47,729,213
EXPENSES						
Instruction	30,466,951	28,844,045	-	-	30,466,951	28,844,045
Instructional student support	4,362,615	4,454,799	-	-	4,362,615	4,454,799
Administrative and financial support	3,694,648	3,421,959	-	-	3,694,648	3,421,959
Operation and maintenance of plant	3,338,067	3,582,461	-	-	3,338,067	3,582,461
Pupil transportation	1,753,781	1,531,254	-	-	1,753,781	1,531,254
Student activities	834,212	719,977	-	-	834,212	719,977
Community services	14,270	14,393	-	-	14,270	14,393
Interest on long-term debt	455,431	823,348	-	-	455,431	823,348
Unallocated depreciation expense	1,663,620	1,595,771	-	-	1,663,620	1,595,771
Special Item - building sale	-	1,116,687	-	-	-	1,116,687
Food Services	-	-	882,779	1,114,598	882,779	1,114,598
TOTAL EXPENSES	46,583,595	46,104,694	882,779	1,114,598	47,466,374	47,219,292
Increase (decrease) in net position	**$ 1,331,376**	**$ 626,496**	**$ (107,269)**	**$ (116,575)**	**$ 1,224,107**	**$ 509,921**
Net position (deficit) - beginning of year	**$ (19,267,522)**	**$ (20,094,839)**	**$ (982,216)**	**$ (865,641)**	**$ (20,249,738)**	**$ (20,960,480)**
Restated - Implementation of GASB 84	-	200,821	-	-	-	200,821
Net position (deficit) - end of year	**$ (17,936,146)**	**$ (19,267,522)**	**$ (1,089,485)**	**$ (982,216)**	**$ (19,025,631)**	**$ (20,450,559)**

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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 2020-2021 to 2019-2020:

Table A-3
Fiscal Year ended June 30, 2021
Governmental Activities

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2021**	**2020**	**2021**	**2020**
Instruction	$ 30,466,951	$ 28,844,045	$ 23,690,916	$ 22,956,933
Instructional student support	4,362,615	4,454,799	3,538,216	3,860,592
Administrative	3,694,648	3,421,959	3,256,776	3,021,375
Operation and maintenance	3,338,067	3,582,461	2,935,996	3,131,415
Pupil transportation	1,753,781	1,531,254	843,511	520,169
Student activities	834,212	719,977	577,792	512,791
Community services	14,270	14,393	14,270	14,393
Interest on long-term debt	455,431	823,348	182,484	430,404
Unallocated depreciation expense	1,663,620	1,595,771	1,663,620	1,595,771
Total governmental activities	**$ 46,583,595**	**$ 44,988,007**	**$ 36,703,581**	**$ 36,043,843**
Less:				
Unrestricted grants, subsidies			7,493,096	7,504,532
Total needs from local taxes and other revenues			**$ 29,210,485**	**$ 28,539,311**

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Business Manager

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, 2021
Business-type Activities

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2021**	**2020**	**2021**	**2020**
Food Services	**$ 882,779**	**$ 1,114,598**	$ 107,851	$ 118,372
Less:				
Investment earnings and other			582	1,797
Total business-type activities			**$ 107,269**	**$ 116,575**

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, 2021, the District governmental funds reported major changes as follows:

General Fund:

The General Fund reported a total fund balance of $3,942,020 which is a decrease of $619,152. The District has committed $844,819 of the existing fund balance to prepare for projected increases in state retirement contributions and assigned $287,236 to balance the budget for the 2021-2022 school year, bringing the unreserved, undesignated fund balance to $2,809,965. The actual expenditures were $762,201 or 1.8% over budget. The District continued to experience additional costs for increased technology resources to support virtual education programs, as well as increased costs for instruction due to additional program needs. The District again realized savings in the cost of transportation as students were educated virtually one day per week to allow for enhanced cleaning due to the continuing pandemic. The District was able to transfer $1,192,546 to capital reserves as a result of debt restructuring during the fiscal year. Revenues ended $382,424 or .8% over budget. The increased funding is due to one-time money available to districts through grants provided by the federal government in response to the COVID-19 pandemic.

Capital Projects Fund:

The District has built a Capital Projects 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 2020-2021 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 $2,294,438 of capital projects funds. Additionally, to prepare for projects the District anticipates as the result of a feasibility study, the Board of Directors has transferred $1,192,546 into the capital projects fund.

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.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2021, the District had $61,521,124 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 $164,977 or .27% from last year.

Table A-5
Capital Assets

	Governmental Activities		Business Type		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Land & Land Improvements	$ 6,959,192	$ 7,085,156	$ -	$ -	$ 6,959,192	$ 7,085,156
Buildings	53,062,471	49,671,647	-	-	53,062,471	49,671,647
Furniture, Equipment, and Vehicles	1,058,915	1,190,963	84,425	84,510	1,143,340	1,275,473
Construction in Progress	356,121	3,323,871	-	-	356,121	3,323,871
Totals	**$ 61,436,699**	**$ 61,271,637**	**$ 84,425**	**$ 84,510**	**$ 61,521,124**	**$ 61,356,147**

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, 2020, the District had total outstanding bond principal of $21,905,000. The board of directors approved the restructuring of debt to allow for an annual savings and extend the life of the debt through the year 2026-2027. The restructuring coupled with the repayment of existing principal resulted in ending outstanding debt as of June 30, 2021 of $19,945,000.

Table A-6
Outstanding Debt

	2021	**2020**
General Obligation Bonds:		
Series of 2013	$ -	$ 4,105,000
Series of 2015	3,415,000	6,090,000
Series of 2018	2,095,000	2,100,000
Series of 2018A	-	9,610,000
Series of 2021A	10,275,000	-
Series of 2021B	4,160,000	-
TOTAL	**$ 19,945,000**	**$ 21,905,000**

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.

Fleetwood Area School District

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Heidi A. Orth
Business Manager

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 2021-2022 year is $48,352,216 or $950,274 more than the original budget for 2020-2021. This represents a 2% increase in budgeted revenues. The revenue increase can be attributed to additional funding provided through federal sources as a result of the continued pandemic recovery. The District maintained the tax rate of 33.36 mills.

The expenditure budget for the 2021-2022 year is $48,639,452; $618,358 more than the original budget for 2020-2021, or a 1.3% increase. The increase is due to higher salary and benefits costs based on contractual obligations, a minor increase in the employer share of retirement, and continued increases as a result of the pandemic response.

The comparison of revenue and expenditure categories is as follows:

Table A-7
BUDGETED REVENUES

	2021-2022	2020-2021
Local	64.52%	65.43%
State	32.36%	32.87%
Federal	3.12%	1.70%

BUDGETED EXPENDITURES

	2021-2022	2020-2021
Instruction	62.73%	60.53%
Support Services	27.70%	26.95%

The food service program will continue to offer all students free breakfast and lunch meals through June 30, 2022. Again, this is the result of the federal government providing additional resources due to the COVID-19 pandemic.

Fleetwood Area School District

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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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 8,481,245	$ 289,855	$ 8,771,100
Internal balances	267,139	(267,139)	-
Taxes receivable, net	791,955	-	791,955
Intergovernmental receivables	1,770,164	35,698	1,805,862
Other receivables	2,626	-	2,626
Inventories	-	14,902	14,902
Capital assets not being depreciated	2,424,966	-	2,424,966
Capital assets, net of accumulated depreciation	59,011,733	84,425	59,096,158
TOTAL ASSETS	72,749,828	157,741	72,907,569
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	742,207	-	742,207
Deferred outflows of resources for pension	10,312,617	139,482	10,452,099
Deferred outflows of resources for other postemployment benefits	881,956	28,100	910,056
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,936,780	167,582	12,104,362
LIABILITIES			
Accounts payable	752,289	3,954	756,243
Accrued interest	31,629	-	31,629
Payroll accruals and withholdings	3,624,835	11,435	3,636,270
Unearned revenues	1,144	960	2,104
Other current liabilities	2,020	37,844	39,864
Noncurrent liabilities, due within one year	3,339,738	4,030	3,343,768
Noncurrent liabilities:			
Bonds payable, net	16,909,738	-	16,909,738
Long-term portion of compensated absences	1,099,900	-	1,099,900
Net pension liability	67,138,962	1,057,038	68,196,000
Net other postemployment benefit liabilities	6,119,076	66,717	6,185,793
TOTAL LIABILITIES	99,019,331	1,181,978	100,201,309
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	2,925,934	206,979	3,132,913
Deferred inflows of resources for other postemployment benefits	677,489	25,851	703,340
TOTAL DEFERRED INFLOWS OF RESOURCES	3,603,423	232,830	3,836,253
NET POSITION			
Net investment in capital assets	41,999,168	84,425	42,083,593
Restricted for capital projects	2,274,617	-	2,274,617
Restricted for purpose by donor	182,714	-	182,714
Unrestricted (deficit)	(62,392,645)	(1,173,910)	(63,566,555)
TOTAL NET POSITION (DEFICIT)	$ (17,936,146)	$ (1,089,485)	$ (19,025,631)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

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	$ 30,466,951	$ -	$ 6,776,035	$ -	$ (23,690,916)	$ -	$ (23,690,916)
Instructional student support	4,362,615	20,485	803,914	-	(3,538,216)	-	(3,538,216)
Administrative and financial support services	3,694,648	-	437,872	-	(3,256,776)	-	(3,256,776)
Operation and maintenance of plant services	3,338,067	90,732	311,339	-	(2,935,996)	-	(2,935,996)
Pupil transportation	1,753,781	-	910,270	-	(843,511)	-	(843,511)
Student activities	834,212	73,952	182,468	-	(577,792)	-	(577,792)
Community services	14,270	-	-	-	(14,270)	-	(14,270)
Interest on long-term debt	455,431	-	-	272,947	(182,484)	-	(182,484)
Unallocated depreciation expense	1,663,620	-	-	-	(1,663,620)	-	(1,663,620)
Total Governmental Activities	46,583,595	185,169	9,421,898	272,947	(36,703,581)	-	(36,703,581)
Business-Type Activities							
Food services	882,779	22,226	752,702	-	-	(107,851)	(107,851)
Total Primary Government	$ 47,466,374	$ 207,395	$ 10,174,600	$ 272,947	(36,703,581)	(107,851)	(36,811,432)
General Revenues							
Taxes:							
Property taxes					27,608,332	-	27,608,332
Public utility realty, earned income, and mercantile taxes					2,882,147	-	2,882,147
Grants, subsidies, and contributions not restricted for a specific program					7,493,096	-	7,493,096
Investment earnings					7,995	42	8,037
Miscellaneous income					43,927	-	43,927
Transfers					(540)	540	-
Total General Revenues and Transfers					38,034,957	582	38,035,539
Change in Net Position					1,331,376	(107,269)	1,224,107
Net Position (Deficit) - Beginning of year, Restated					(19,267,522)	(982,216)	(20,249,738)
Net Position (Deficit) - End of year					$ (17,936,146)	$ (1,089,485)	$ (19,025,631)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2021

	General	Capital Projects	Debt Service	Special Revenue (Nonmajor)	Total Governmental Funds
ASSETS					
Cash and investments	$ 7,396,673	$ 899,841	$ -	$ 184,731	$ 8,481,245
Interfund receivable	274,235	1,581,806	-	7,561	1,863,602
Taxes receivable	801,419	-	-	-	801,419
Intergovernmental receivables	1,770,164	-	-	-	1,770,164
Other receivables	2,626	-	-	-	2,626
TOTAL ASSETS	$ 10,245,117	$ 2,481,647	$ -	$ 192,292	$ 12,919,056
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Interfund payable	$ 1,587,777	$ -	$ -	$ 8,686	$ 1,596,463
Accounts payable	544,367	207,030	-	892	752,289
Current portion of compensated absences	69,738	-	-	-	69,738
Payroll accruals and withholdings	3,624,835	-	-	-	3,624,835
Unearned revenues	1,144	-	-	-	1,144
Other current liabilities	2,020	-	-	-	2,020
TOTAL LIABILITIES	5,829,881	207,030	-	9,578	6,046,489
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	473,216	-	-	-	473,216
FUND BALANCES					
Restricted	-	2,274,617	-	182,714	2,457,331
Committed for retirement rate increases	844,819	-	-	-	844,819
Assigned	287,236	-	-	-	287,236
Unassigned	2,809,965	-	-	-	2,809,965
TOTAL FUND BALANCES	3,942,020	2,274,617	-	182,714	6,399,351
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 10,245,117	$ 2,481,647	$ -	$ 192,292	$ 12,919,056

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

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

June 30, 2021

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

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS		$ 6,399,351
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 $97,224,298 and the accumulated depreciation is $35,787,599.		61,436,699
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.		463,752
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	$ (19,945,000)	
Accrued interest on bonds	(31,629)	
Unamortized bond premium	(234,738)	
Deferred charge on bond refunding	742,207	
Long-term portion of compensated absences	(1,099,900)	(20,569,060)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(59,752,279)
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.		(5,914,609)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (17,936,146)

FLEETWOOD AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2021

	General	Capital Projects	Debt Service	Special Revenue (Nonmajor)	Total Governmental Funds
REVENUES					
Local sources	$ 31,331,332	$ 592	$ -	$ 97,564	$ 31,429,488
State sources	15,298,920	-	-	-	15,298,920
Federal sources	1,154,514	-	-	-	1,154,514
TOTAL REVENUES	47,784,766	592	-	97,564	47,882,922
EXPENDITURES					
Current:					
Instructional services	29,994,059	-	-	-	29,994,059
Support services	12,796,484	-	115,730	-	12,912,214
Operation of noninstructional services	720,156	-	-	115,671	835,827
Capital outlay	-	2,294,438	-	-	2,294,438
Debt service:					
Principal	-	-	3,090,000	-	3,090,000
Interest	-	-	632,348	-	632,348
Refund of prior year revenues	7,382	-	-	-	7,382
TOTAL EXPENDITURES	43,518,081	2,294,438	3,838,078	115,671	49,766,268
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,266,685	(2,293,846)	(3,838,078)	(18,107)	(1,883,346)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	-	-	14,845,000	-	14,845,000
Transfers in	-	1,192,546	3,692,751	-	4,885,297
Current refunding debt service principal	-	-	(4,105,000)	-	(4,105,000)
Payment to refunded bond escrow agent	-	-	(10,594,673)	-	(10,594,673)
Transfers out	(4,885,837)	-	-	-	(4,885,837)
TOTAL OTHER FINANCING SOURCES (USES)	(4,885,837)	1,192,546	3,838,078	-	144,787
NET CHANGE IN FUND BALANCES	(619,152)	(1,101,300)	-	(18,107)	(1,738,559)
FUND BALANCES - BEGINNING OF YEAR, RESTATED	4,561,172	3,375,917	-	200,821	8,137,910
FUND BALANCES - END OF YEAR	$ 3,942,020	$ 2,274,617	$ -	$ 182,714	$ 6,399,351

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, 2021

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (1,738,559)
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	$ 2,286,982	
Less: depreciation expense	(2,121,920)	165,062
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.		32,589
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	3,090,000	
Current refunding debt service - principal	4,105,000	
Payment to refunded bond escrow agent	10,594,673	
Issuance of refunding bonds	(14,845,000)	
Amortization of bond premium	271,715	
Amortization of bond discount	(1,965)	
Amortization of deferred charge on bond refunding	(127,214)	3,087,209
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.		34,381
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	(164,780)	
Net pension liability and related deferred outflows and inflows	65,944	
Net OPEB liability and related deferred outflows and inflows	(150,470)	(249,306)
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 1,331,376

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2021

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and investments	$ 289,855
Interfund receivable	5,971
Intergovernmental receivables	35,698
Inventories	14,902
TOTAL CURRENT ASSETS	346,426
NONCURRENT ASSETS	
Furniture and equipment, net	84,425
TOTAL ASSETS	430,851
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	139,482
Deferred outflows of resources for other postemployment benefits	28,100
TOTAL DEFERRED OUTFLOWS OF RESOURCES	167,582
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	3,954
Payroll accruals and withholdings	11,435
Interfund payable	273,110
Compensated absences	4,030
Unearned revenues	960
Other current liabilities	37,844
TOTAL CURRENT LIABILITIES	331,333
NONCURRENT LIABILITIES	
Net pension liability	1,057,038
Net other postemployment benefit liabilities	66,717
TOTAL LIABILITIES	1,455,088
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	206,979
Deferred inflows of resources for other postemployment benefits	25,851
TOTAL DEFERRED INFLOWS OF RESOURCES	232,830
NET POSITION	
Investment in capital assets	84,425
Unrestricted (deficit)	(1,173,910)
TOTAL NET POSITION (DEFICIT)	$ (1,089,485)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2021

	Enterprise Fund Food Service
OPERATING REVENUES	
Food service revenue	$ 22,226
OPERATING EXPENSES	
Salaries	274,757
Employee benefits	216,190
Pension and OPEB valuation adjustments	(27,654)
Supplies	375,356
Depreciation	85
Other operating expenses	44,045
TOTAL OPERATING EXPENSES	882,779
OPERATING LOSS	(860,553)
NONOPERATING REVENUES (EXPENSES)	
Earnings on investments	42
State sources	78,171
Federal sources	674,531
TOTAL NONOPERATING REVENUES	752,744
LOSS BEFORE TRANSFERS	(107,809)
TRANSFERS IN	540
CHANGE IN NET POSITION	(107,269)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(982,216)
NET POSITION (DEFICIT) - END OF YEAR	$ (1,089,485)

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2021

	Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from users	$ 26,807
Payments to employees for services	(215,461)
Payments to suppliers for goods and services	(364,928)
NET CASH USED FOR OPERATING ACTIVITIES	(553,582)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	78,152
Federal sources	611,398
Transfers In	540
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	690,090
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	42
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,550
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	153,305
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 289,855

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2021

	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	$ (860,553)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	85
Donated commodities used	60,032
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Inventories	(8,835)
Interfund balances	272,571
Deferred outflows of resources for pension	(2,181)
Deferred outflows of resources for other postemployment benefits	8,312
Accounts payable	6,896
Compensated absences	(2,145)
Unearned revenues	901
Other current liabilities	5,120
Net pension liability	(89,919)
Net other postemployment benefit liabilities	(27,063)
Deferred inflows of resources for pension	61,682
Deferred inflows of resources for other postemployment benefits	21,515
Total adjustments	306,971
NET CASH USED FOR OPERATING ACTIVITIES	$ (553,582)
NONCASH NONCAPITAL FINANCING ACTIVITIES	
During the year, the District used $60,032 of commodities from the U.S. Department of Agriculture	$ 60,032

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. The Foundation is reported as a special revenue fund.

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 11 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.

After the implementation of GASB No. 84, *Fiduciary Activities*, the District currently does not have any fiduciary funds. See Note 1H. for further information on the adoption of this accounting standard.

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 Reports the Following Nonmajor Governmental Funds:

Special Revenue Funds

***Education Foundation Fund*:** This fund is established to account for financial resources to be used to benefit both the academic and athletic programs of the District.

Student Activity Fund: This fund is established to account for financial resources to be used for various student activity and athletic clubs.

Scholarship Fund: This fund is established to account for financial resources to be used for various scholarship accounts.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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, 2021, consist of the following:

Purchased food and supplies	$ 13,942
Donated commodities	960
	$ 14,902

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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 acquisition value at the date of donation.

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, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Fund Balance Policies and Flow Assumptions - continued

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.

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.

H. Adoption of Accounting Standard

Effective July 1, 2020, the District adopted a new accounting standard related to the reporting of *Fiduciary Activities*. The objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The District had previously reported its student activities fund and private purpose trust funds (Education Foundation and scholarships fund) as fiduciary funds. With the adoption of this standard, these funds do not meet the requirements to be reported as fiduciary funds and are reported as special revenue funds effective July 1, 2020.

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2020 in governmental activities for $200,821 to account for the net position of the student activities, Education Foundation and scholarships funds as of June 30, 2020.

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, 2021, 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, 2021:

	Food Service Fund
Net position before effects of GASB statements noted below	$ 99,518
Cumulative effect of GASB statement Nos. 68 and 71	(1,124,535)
Cumulative effect of GASB statement No. 75	(64,468)
Ending net position (deficit)	$ (1,089,485)

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, 2021, the net deficiency in the Food Service Fund increased $107,269 with $134,923 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, 2021, is as follows:

Demand deposits	$ 2,314,931
Pooled cash and investments	6,456,169
	$ 8,771,100

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, 2021, the carrying amount of the District's deposits was $2,314,931 and the bank balance was $2,912,653. Of the bank balance, $500,000 was covered by federal depository insurance and $2,412,653 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, 2021, the District had the following investments:

	Fair Value	Carrying Value
PA School District Liquid Asset Fund (PSDLAF):		
MAX account balance	$ 6,456,169	$ 6,456,169
		$ 6,456,169

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 $6,456,169 (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 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, 2021, the entire PSDLAF book balance of $6,456,169 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. As of June 30, 2021, the District has no investments subject to interest rate risk.

Credit Risk
The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2021, the District's investments were rated as:

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

Concentration of Credit Risk
The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2021, 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 $873,727,000. In accordance with Act 1 of 2006, the District received $1,124,940 in property tax reduction funds for the 2020/2021 fiscal year. The District's tax rate for the year ended June 30, 2021, was 33.36 mills ($33.36 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, 2021, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate property tax	$ 551,326	$ 9,464	$ 541,862	$ 78,110	$ 473,216
Other taxes - interims, earned income, real estate transfer	250,093	-	250,093	250,093	-
	$ 801,419	$ 9,464	$ 791,955	$ 328,203	$ 473,216

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2021:

Name of Government Unit	General Fund	Enterprise Food Service
Commonwealth of Pennsylvania:		
Social Security	$ 263,535	$ -
Retirement	1,259,148	-
National School Lunch and Breakfast Program	-	1,340
Berks County IU - Special Education Grants to States	140,693	-
Federal Subsidies:		
Title I Grants to Local Education Agencies	23,800	-
English Language Acquisition State Grants	6,732	-
Education Stabilization Fund - PDE	66,080	-
Education Stabilization Fund - PCCD	1,832	-
Public Assistance Grants - PEMA	8,344	-
National School Lunch and Breakfast Program	-	34,358
	$ 1,770,164	$ 35,698

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following schedule represents the interfund receivables/payables at June 30, 2021:

	Interfund Receivables	Interfund Payables
Fund:		
General Fund	$ 274,235	$ 1,587,777
Capital Projects Fund	1,581,806	-
Nonmajor Governmental Funds	7,561	8,686
Enterprise Fund - Food Service	5,971	273,110
	$ 1,869,573	$ 1,869,573

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, 2021:

	Transfers In	Transfers Out
Fund:		
General Fund	$ -	$ 4,885,837
Capital Projects Fund	1,192,546	-
Debt Service Fund	3,692,751	-
Enterprise Fund - Food Service	540	-
	$ 4,885,837	$ 4,885,837

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

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021, were as follows:

Governmental Activities

	Beginning Balance	Increase	Reclassify Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 2,068,845	$ -	$ -	$ 2,068,845
Construction in progress	3,323,871	356,121	(3,323,871)	356,121
Totals not being depreciated	5,392,716	356,121	(3,323,871)	2,424,966
Capital assets being depreciated:				
Buildings and building improvements	77,885,283	1,904,291	3,323,871	83,113,445
Site improvements	7,264,987	8,760	-	7,273,747
Furniture and equipment	4,394,330	17,810	-	4,412,140
Total being depreciated	89,544,600	1,930,861	3,323,871	94,799,332
Less accumulated depreciation for:				
Buildings and building improvements	28,213,636	1,837,338	-	30,050,974
Site improvements	2,248,676	134,724	-	2,383,400
Furniture and equipment	3,203,367	149,858	-	3,353,225
Total accumulated depreciation	33,665,679	2,121,920	-	35,787,599
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	55,878,921	(191,059)	3,323,871	59,011,733
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 61,271,637	$ 165,062	$ -	$ 61,436,699

Business-Type Activities

Capital assets being depreciated:				
Equipment	$ 844,356	$ -	$ -	$ 844,356
Less accumulated depreciation for equipment	759,846	85	-	759,931
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 84,510	$ (85)	$ -	$ 84,425

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	$ 339,001
Instructional student support	72,036
Operation and maintenance of plant services	41,785
Pupil transportation	3,336
Community services	2,142
Unallocated depreciation	1,663,620
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 2,121,920

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, 2021:

General Obligation Bonds, Series B of 2021: The General Obligation Bonds, Series B of 2021, aggregate principal of $4,165,000, were issued on March 3, 2021, for the purpose of refunding of the School District's outstanding General Obligation Bonds, Series of 2013 and to pay debt issuance costs. The bonds mature from June 1, 2021 to June 1, 2027. Interest rate is 1.00%. The refunding resulted in a net cash flow loss of $175,296 and a present value cash flow savings of $20,007. $ 4,160,000

General Obligation Bonds, Series A of 2021: The General Obligation Bonds, Series A of 2021, aggregate principal of $10,680,000, were issued on March 3, 2021, for the purpose of advance refunding of the School District's outstanding General Obligation Bonds, Series of 2018 A and to pay debt issuance costs. The bonds mature from June 1, 2021 to June 1, 2026. Interest rate is 1.05%. The refunding resulted in a net cash flow loss of $111,432 and a present value cash flow loss of $85,045. $ 10,275,000

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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.	2,095,000
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.	3,415,000
Total Bonds Payable	$ 19,945,000

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

	General Obligation Bonds				Total	Total
	Series of 2015	Series of 2018	Series A of 2021	Series B of 2021	Principal	Interest
2022	$ 2,455,000	$ 5,000	$ 805,000	$ 5,000	$ 3,270,000	$ 379,548
2023	960,000	2,090,000	305,000	5,000	3,360,000	251,190
2024	-	-	3,200,000	5,000	3,205,000	137,733
2025	-	-	3,235,000	5,000	3,240,000	104,083
2026	-	-	2,730,000	585,000	3,315,000	70,065
2027	-	-	-	3,555,000	3,555,000	35,550
	$ 3,415,000	$ 2,095,000	$ 10,275,000	$ 4,160,000	$ 19,945,000	$ 978,169

Defeased Debt

During the year ended June 30, 2021, the District issued General Obligation Bonds, Series A of 2021 to advance refund the balance of the General Obligation Bonds, Series A of 2018. The advance refunding met the requirements of an in-substance debt defeasance and the bond was removed from the District's long-term liabilities.

As of June 30, 2021, outstanding general obligation bonds of the District in the amount of $9,605,000 were considered to be defeased with a related $10,420,971 (market value at June 30, 2021) held in escrow funds.

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	$ 21,905,000	$ 14,845,000	$ (16,805,000)	$ 19,945,000	$ 3,270,000
Bond discounts	(8,599)	-	8,599	-	-
Bond premiums	863,384	-	(628,646)	234,738	-
Total payable	22,759,785	14,845,000	(17,425,047)	20,179,738	3,270,000
Compensated absences	990,644	211,541	(32,547)	1,169,638	69,738
Net pension liability	64,021,043	9,485,370	(6,367,451)	67,138,962	-
Net other postemployment benefit liabilities	5,806,776	564,752	(252,452)	6,119,076	-
Total governmental long-term liabilities	$ 93,578,248	$ 25,106,663	$ (24,077,497)	$ 94,607,414	$ 3,339,738
Business-Type Activities					
Compensated absences	$ 6,175	$ -	$ 2,145	$ 4,030	$ 4,030
Net pension liability	1,146,957	10,349	(100,268)	1,057,038	-
Net other postemployment benefit liabilities	93,780	2,820	(29,883)	66,717	-
Total business-type long-term liabilities	$ 1,246,912	$ 13,169	$ (128,006)	$ 1,127,785	$ 4,030

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 $632,348. 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

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%.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued:

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $6,633,733 for the year ended June 30, 2021.

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, 2021, for pension and OPEB benefits was $3,867,020.

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

At June 30, 2021, the District reported a liability of $68,196,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.1385%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2020.

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, 2021, the District recognized pension expense of $6,537,371. At June 30, 2021, 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	$ 178,000	$ 1,634,000
Net difference between projected and actual investment earnings	2,998,000	-
Changes in proportion - plan level	409,000	1,338,000
Changes in proportion - internal	160,913	160,913
Difference between employer contributions and proportionate share of total contributions	72,453	-
Contributions made subsequent to the measurement date	6,633,733	-
	$ 10,452,099	$ 3,132,913

The $6,633,733 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2022	$ (776,041)
2023	(228,173)
2024	797,218
2025	892,449
	$ 685,453

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

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

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

	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(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	$ 84,373,000	$ 68,196,000	$ 54,492,000

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, 2021, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of $2,228,022. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021.

Hybrid Defined Benefit/Defined Contribution Retirement Plan

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 $35,633 for the year ended June 30, 2021.

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, 2021 are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	$ 2,982,000	$ 359,330	$ 175,000
District OPEB Plan	3,203,793	550,726	528,340
Total	$ 6,185,793	$ 910,056	$ 703,340

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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, 2020, there were no assumed future benefit increases to participating eligible retirees.

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, 2020, 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

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, 2021, was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $162,330 for the year ended June 30, 2021.

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, 2021, for pension and OPEB benefits was $3,867,020.

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

At June 30, 2021, the District reported a liability of $2,982,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.1380%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2020.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

For the year ended June 30, 2021, the District recognized OPEB expense of $133,853. At June 30, 2021, 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	$ 27,000	$ -
Changes in assumptions	122,000	65,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportion	43,000	110,000
Contributions made subsequent to the measurement date	162,330	-
	$ 359,330	$ 175,000

The $162,330 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2022	$ (7,000)
2023	(8,000)
2024	(8,000)
2025	30,000
2026	9,000
Thereafter	6,000
Total	$ 22,000

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

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.

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, 2020 is:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	(1.0%)
U.S. Core Fixed Income	46.5%	(0.1%)
Non-U.S. Developed Fixed	3.2%	(0.1%)
	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate decreased from 2.79% as of June 30, 2019.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2020 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	$ 2,981,000	$ 2,982,000	$ 2,982,000

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB 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 the Discount Rate

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

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	$ 3,400,000	$ 2,982,000	$ 2,636,000

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, 2021, the District had an accrued balance due to PSERS of $2,228,022, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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.

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*
Retirement through PSERS	Act 110/43	The member and spouse may both continue benefits until Medicare eligibility.

II. Teachers

Same as I	Same as I	Same as I

III. Support Staff

Same as I	Same as I	Same as I

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.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

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.

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 Superannuation Retirement:

1) Pension Class T-C or T-D: An employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
2) Pension Class T-E or T-F: An employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 92 with a minimum of 30 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
3) Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Employees Covered by Benefit Terms

At July 1, 2020, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	333
Vested former participants	16
Retired participants	15
Total	364

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2020, was determined by rolling forward the District's total OPEB liability as of July 1, 2019 to July 1, 2020, 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 - 1.86% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at 7/1/20.
- 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 - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- 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, 2020	$ 2,937,556
Changes for the year:	
Service cost	180,329
Interest	102,982
Difference between expected and actual experience	(207,955)
Changes in assumptions	288,606
Benefit payments	(97,725)
	266,237
Balance at June 30, 2021	$ 3,203,793

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.36% to 1.86%, (2) the healthcare cost trend assumption was updated, and (3) the marriage assumption was lowered from 30% to 25%.

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 (0.86%) or one-percentage point higher (2.86%) than the current discount rate:

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
OPEB Plan - Total OPEB liability	$ 3,447,868	$ 3,203,793	$ 2,970,067

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	$ 2,818,125	$ 3,203,793	$ 3,657,690

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

For the year ended June 30, 2021, the District recognized OPEB expense of $274,779. At June 30, 2021, 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	$ 149,026	$ 190,625
Changes of assumptions	308,629	337,715
Benefit payments made subsequent to the measurement date	93,071	-
	$ 550,726	$ 528,340

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 $93,071 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2022	$ (8,533)
2023	(8,533)
2024	(8,533)
2025	(8,533)
2026	(8,533)
Thereafter	(28,020)
Total	$ (70,685)

NOTE 11 - 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 2020/2021 year was $989,071.

Summary financial information as of June 30, 2020 (the most recent information available) is as follows:

Berks Career & Technology Center (Governmental Activities)	
Total assets and deferred outflows of resources	$ 31,607,620
Total liabilities and deferred inflows of resources	30,858,040
Total net position	$ 749,580

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

NOTE 12 - 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 2020/2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 - 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.

The District has entered into an agreement for the transportation of students which is in place through June 30, 2027. 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, 2021, the District has entered into contracts related to building improvement projects. The contracts awarded and commitments outstanding are as follows:

	Contract Amount	Commitment Remaining
Performance-based energy saving project	$ 716,147	$ 360,026
Bipolar ionization system	355,834	355,834
	$ 1,071,981	$ 715,860

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

NOTE 14 - 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 continued on a month-to-month basis based on annual rent of $25,948. This lease was terminated effective September 1, 2020.

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 continued 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 15 - 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, 2021, are as follows:

General Fund

The general fund has committed funds of $844,819 for retirement rate increases, assigned fund balance of $287,236 for subsequent year's budget appropriation, and unassigned fund balance of $2,809,965. The commitment was authorized by the school board of directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

NOTE 15 - FUND BALANCE - CONTINUED

Capital Projects Fund
The capital projects fund has restricted funds of $2,274,617 comprised of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and capital assets, as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

Nonmajor Funds
The nonmajor funds have restricted funds of $182,714 consisting of $25,098 for purposes to be determined by the Education Foundation, $109,314 for student activities, and $48,302 for scholarships.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- 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. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the District's fiscal year ending June 30, 2023.

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, 2021

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources	$ 31,016,058	$ 31,016,058	$ 31,331,332	$ 315,274
State sources	15,579,511	15,579,511	15,298,920	(280,591)
Federal sources	806,373	806,373	1,154,514	348,141
TOTAL REVENUES	47,401,942	47,401,942	47,784,766	382,824
EXPENDITURES				
INSTRUCTIONAL SERVICES				
Regular programs - elementary/secondary	19,388,937	19,391,576	20,249,435	(857,859)
Special programs - elementary/secondary	7,682,481	7,682,481	7,726,763	(44,282)
Vocational education	1,968,450	1,969,950	1,986,929	(16,979)
Other instructional programs - elementary/secondary	19,088	19,088	21,695	(2,607)
Nonpublic school programs	8,900	8,900	9,237	(337)
TOTAL INSTRUCTIONAL SERVICES	29,067,856	29,071,995	29,994,059	(922,064)
SUPPORT SERVICES				
Students	1,543,844	1,543,854	1,620,058	(76,204)
Instructional staff	2,017,332	2,013,433	2,141,825	(128,392)
Administration	2,388,500	2,387,000	2,455,191	(68,191)
Pupil health	585,538	585,538	568,386	17,152
Business	571,543	569,264	564,067	5,197
Operation and maintenance of plant	3,382,862	3,384,363	3,220,812	163,551
Student transportation	1,997,723	1,997,723	1,749,644	248,079
Central	422,634	424,662	441,720	(17,058)
Other	29,627	29,627	34,781	(5,154)
TOTAL SUPPORT SERVICES	12,939,603	12,935,464	12,796,484	138,980
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student activities	733,421	733,421	705,886	27,535
Community services	15,000	15,000	14,270	730
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	748,421	748,421	720,156	28,265
REFUND OF PRIOR YEAR REVENUES	-	-	7,382	(7,382)
TOTAL EXPENDITURES	42,755,880	42,755,880	43,518,081	(762,201)
EXCESS OF REVENUES OVER EXPENDITURES	4,646,062	4,646,062	4,266,685	(379,377)
OTHER FINANCING USES				
Transfers out	(5,015,214)	(5,015,214)	(4,885,837)	129,377
Budgetary reserve	(250,000)	(250,000)	-	250,000
TOTAL OTHER FINANCING SOURCES (USES)	(5,265,214)	(5,265,214)	(4,885,837)	379,377
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ (619,152)	$ (619,152)	(619,152)	$ -
FUND BALANCE - BEGINNING OF YEAR			4,561,172	
FUND BALANCE - END OF YEAR			$ 3,942,020	

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

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 2020/2021 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2021, the General fund had excess expenditures over appropriations of $762,201. The excess expenditures were covered by excess revenues and savings from current year debt refunding.

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, 2021. 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

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.1385%	0.1393%	0.1416%	0.1381%	0.1437%	0.1441%	0.1442%	0.1361%
District's proportionate share of the collective net pension liability	$ 68,196,000	$ 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	$ 19,369,988	$ 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	352.07%	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	54.32%	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 for the fiscal year ended June 30, 2021
None.

Changes of Assumptions for the fiscal year ended June 30, 2021
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.

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 6,633,733	$ 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
Contributions in relation to the contractually required contribution	6,633,733	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 19,768,853	$ 19,369,968	$ 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	33.56%	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.

See accompanying notes.

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

	2021	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.1380%	0.1393%	0.1416%	0.1381%	0.1437%
District's proportionate share of the collective net PSERS OPEB liability	$ 2,982,000	$ 2,963,000	$ 2,952,000	$ 2,814,000	$ 3,095,000
District's covered payroll	$ 19,369,968	$ 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	15.39%	15.43%	15.48%	15.31%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.69%	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 for the fiscal year ended June 30, 2021
None.

Changes of Assumptions for the fiscal year ended June 30, 2021
Significant changes of assumptions for the June 30, 2020 measurement date are as follows:

- The discount rate changed from 2.79% to 2.66%.

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.

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 162,330	$ 162,856	$ 159,684	$ 158,653	$ 154,563	$ 156,632	$ 167,662	$ 171,976	$ 150,503	$ 112,807
Contributions in relation to the contractually required contribution	162,330	162,856	159,684	158,653	154,563	156,632	167,662	171,976	150,503	112,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 19,768,853	$ 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	0.82%	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.

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	$ 180,329	$ 177,740	$ 220,092	$ 204,801
Interest	102,982	88,960	93,070	67,417
Changes in benefit terms	-	-	(7,912)	-
Difference between expected and actual experience	(207,955)	-	198,703	-
Changes in assumptions	288,606	(87,820)	(352,707)	63,662
Benefit payments	(97,725)	(106,564)	(86,023)	(84,176)
Net change in total OPEB liability	266,237	72,316	65,223	251,704
Total OPEB liability, beginning	2,937,556	2,865,240	2,800,017	2,548,313
Total OPEB liability, ending	$ 3,203,793	$ 2,937,556	$ 2,865,240	$ 2,800,017
Covered Employee Payroll	$ 19,195,454	$ 18,015,996	$ 18,015,996	$ 18,067,066
Total OPEB liability as a Percentage of Covered Employee Payroll	16.69%	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, 2020 measurement date are as follows:

- The discount rate changed from 3.36% to 1.86%.
- The healthcare cost trend assumption was updated.
- The marriage assumption was lowered from 30% to 25%.

Significant changes in assumptions for prior measurement dates are as follows:

- The discount rate was updated each year based on the S&P Municipal Bond 20-Year High Grade Index.
- The healthcare cost trend assumption was updated each year.
- For the July 1, 2018 measurement date the participation rate decreased from 70% to 60% for teachers.

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 BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	Education Foundation	Student Activities	Scholarships	Totals
ASSETS				
CURRENT ASSETS				
Cash and investments	$ 25,098	$ 118,892	$ 40,741	$ 184,731
Interfund receivable	-	-	7,561	7,561
TOTAL ASSETS	$ 25,098	$ 118,892	$ 48,302	$ 192,292
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Interfund payable	$ -	$ 8,686	$ -	$ 8,686
Accounts payable	-	892	-	892
TOTAL LIABILITIES	-	9,578	-	9,578
FUND BALANCES				
Restricted	25,098	109,314	48,302	182,714
TOTAL LIABILITIES AND FUND BALANCES	$ 25,098	$ 118,892	$ 48,302	$ 192,292

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2021

	Education Foundation	Student Activities	Scholarships	Totals
REVENUE				
Local sources	$ 1,069	$ 72,146	$ 24,349	$ 97,564
EXPENDITURES				
Current:				
Operation of noninstructional services	4,093	91,416	20,162	115,671
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,024)	(19,270)	4,187	(18,107)
FUND BALANCES - BEGINNING OF YEAR, RESTATED	28,122	128,584	44,115	200,821
FUND BALANCES - END OF YEAR	$ 25,098	$ 109,314	$ 48,302	$ 182,714

See accompanying notes.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Program or Award Amount	Grant Period Beginning/ Ending Dates	Receipts For the Year	Accrued (Unearned) Revenue at June 30, 2020	Revenue Recognized/ Expenditures	Accrued (Unearned) Revenue at June 30, 2021	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	013-20-0147	$ 382,782	08/15/19-09/30/20	$ 808	$ 808	$ -	$ -	$ -
Title I Grants to Local Educational Agencies	I	84.010	013-21-0147	363,329	08/19/20-09/30/21	338,902	-	362,702	23,800	-
Subtotal - ALN 84.010						339,710	808	362,702	23,800	-
Supporting Effective Instruction State Grant	I	84.367	020-20-0147	73,525	08/15/19-09/30/20	955	955	-	-	-
Supporting Effective Instruction State Grant	I	84.367	020-21-0147	68,100	08/19/20-09/30/21	69,244	-	68,100	(1,144)	-
Subtotal - ALN 84.367						70,199	955	68,100	(1,144)	-
English Language Acquisition State Grants	I	84.365	010-20-0147	10,383	08/15/19-09/30/20	1,483	1,483	-	-	-
English Language Acquisition State Grants	I	84.365	010-21-0147	13,465	08/19/20-09/30/21	6,733	-	13,465	6,732	4,950
Subtotal - ALN 84.365						8,216	1,483	13,465	6,732	4,950
Student Support and Academic Enrichment Program	I	84.424	144-21-0147	28,983	08/19/20-09/30/21	28,983	-	28,983	-	-
COVID-19 - Education Stabilization Fund	I	84.425D	200-20-0147	313,881	03/13/20-09/30/21	247,801	-	313,881	66,080	-
Passed through the Pennsylvania Commission on Crime and Delinquency:										
COVID-19 - Education Stabilization Fund	I	84.425D	2020-ES-01-35144	68,190	03/13/20-09/30/21	66,358	-	68,190	1,832	-
Subtotal - ALN 84.425						314,159	-	382,071	67,912	-
Passed through the Pennsylvania Commission on Crime and Delinquency:										
COVID-19 - Coronavirus Relief Fund	I	21.019	2020-CS-01-34125	218,168	07/01/20-10/30/20	218,168	-	218,168	-	-
Passed through the County of Berks										
COVID-19 - Coronavirus Relief Fund	I	21.019	CGA-235808-20	100,000	03/01/20-09/20/20	100,000	-	100,000	-	-
Subtotal - ALN 21.019						318,168	-	318,168	-	-
Special Education Cluster (IDEA)										
Passed through the Berks County Intermediate Unit:										
Special Education - Preschool Grants	I	84.173	N/A	7,245	07/01/20-06/30/21	7,245	-	7,245	-	-
Special Education - Grants to States	I	84.027	N/A	384,378	07/01/19-09/30/20	103,919	103,919	-	-	-
Special Education - Grants to States	I	84.027	N/A	412,712	07/01/20-09/30/21	272,019	-	412,712	140,693	-
Passed through the Lancaster Lebanon Intermediate Unit:										
Special Education - Grants to States	I	84.027	N/A	10,000	07/01/20-06/30/21	7,937	-	7,937	-	-
Passed through the State Department of Education:										
COVID-19 - Special Education - Grants to States	I	84.027	N/A	25,266	07/01/20-09/30/21	25,266	-	25,266	-	-
Subtotal - ALN 84.027						409,141	103,919	445,915	140,693	-
Total Special Education Cluster (IDEA)						416,386	103,919	453,160	140,693	-
TOTAL U.S. DEPARTMENT OF EDUCATION						1,495,821	107,165	1,626,649	237,993	4,950
U.S. DEPARTMENT OF HOMELAND SECURITY										
Passed through the PA Emergency Management Agency:										
COVID-19 - Public Assistance Grants	I	97.036	147360	$ 33,377	07/01/20-06/30/21	25,033	-	33,377	8,344	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY						25,033	-	33,377	8,344	-

See notes to the schedule of expenditures of federal awards.

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Program or Award Amount	Grant Period Beginning/ Ending Dates	Receipts For the Year	Accrued (Unearned) Revenue at June 30, 2020	Revenue Recognized/ Expenditures	Accrued (Unearned) Revenue at June 30, 2021	Passed-Through to Subrecipients
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	07/01/19-06/30/20	12,107	12,107	-	-	-
School Breakfast Program	I	10.553	N/A	N/A	07/01/20-06/30/21	222,546	-	236,011	13,465	-
Subtotal - ALN 10.553						234,653	12,107	236,011	13,465	-
National School Lunch Program	I	10.555	N/A	N/A	07/01/19-06/30/20	19,150	19,150	-	-	-
National School Lunch Program	I	10.555	N/A	N/A	07/01/20-06/30/21	357,595	-	378,488	20,893	-
Passed through the State Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/20-06/30/21	60,933	(59)	60,032	(960)	-
Subtotal - ALN 10.555						437,678	19,091	438,520	19,933	-
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						672,331	31,198	674,531	33,398	-
TOTAL FEDERAL AWARDS						$ 2,193,185	$ 138,363	$ 2,334,557	$ 279,735	$ 4,950

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, 2021

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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2021 was $22,383.

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, 2021, the District has $960 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, 2021, 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, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, 2021

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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, 2021. 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, 2021.

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, 2021

FLEETWOOD AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

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):

Assistance Listing Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

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, 2021

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, 2021

Section II - Financial Statement Findings

There were no financial statement findings reported for the year ended June 30, 2020.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported for the year ended June 30, 2020.