

POTTSVILLE AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

POTTSVILLE, PENNSYLVANIA

FOR THE YEAR ENDED JUNE 30, 2020

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A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

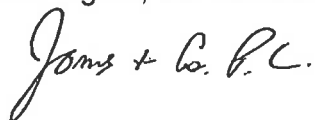
We have performed the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) of the Pottsville Area School District for the year ended June 30, 2020. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted no later than 30 days after you receive our Single Audit Report but no later than nine months after the year end (March 31, 2021).

The Single Audit was done to fulfill the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance). It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Expenditures of Federal Awards and our opinion thereon; (3) a review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (4) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (5) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (6) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have not enclosed a management letter for the fiscal year ended June 30, 2020.

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements, for Federal Awards (Uniform Guidance) requires that when filing the Single Audit Report and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.



December 16, 2020
Pottsville, Pennsylvania

POTTSVILLE AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

JUNE 30, 2020

- | | |
|---|---|
| 1 Single Audit Report - | Prothonotary Office
Schuylkill County Courthouse
Pottsville, PA |
| 1 Single Audit Report,
Data Collection Form
Single Audit Reporting
Package Checklist | Must be submitted Via Electronic
& Mail (E-mail)
Commonwealth of Pennsylvania
Office of the Budget - Bureau of
Audits, Special Audit Services
Division
RA-BOASingleAudit@state.pa.us |
| 1 Single Audit Report and
Data Collection Form | Federal Audit Clearinghouse
Via Internet Website
www.harvester.census.gov/sac |
| 1 Single Audit Report - | Schuylkill IU #29
Marlin, PA |

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Prior Period Adjustments

As described in Note 15 to the financial statements, as of June 30, 2019 the District determined it had not allocated the District's Pension and OPEB assets and liabilities between its Governmental and Business-Type Funds as required by GASB 68 in its Entity-Wide Statement of Net Position (Deficit). In addition, the District had not recorded the District OPEB Plan's deferred outflows of \$205,097 and deferred inflows of (\$738,109) for a net deferred adjustment of (\$533,012) as of June 30, 2019. During the current year, the District, (with which we concur) recorded the necessary adjustments which decreased its beginning Governmental Activities Unrestricted deficit by \$2,320,334 and increased its beginning Business-Type Activities Unrestricted deficit by (\$2,853,346). Our opinion is not modified with respect to these matters.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 10-23 and the schedule of the District's proportionate share of the net pension liability, the schedule of the District's contributions, the District's proportionate share of the net OPEB – PSERS liability, the schedule of the District's contributions - OPEB - PSERS, the schedule of the District's proportionate share of the OPEB liability and the schedule of District contributions – OPEB on pages 83-88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

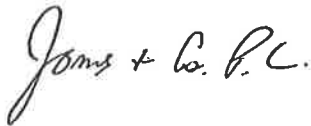
Other Supplemental Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the Pottsville Area School 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pottsville Area School District's internal control over financial reporting and compliance.



December 16, 2020
Pottsville, Pennsylvania

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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

Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pottsville Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pottsville Area School District's basic financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control over Financial Reporting

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

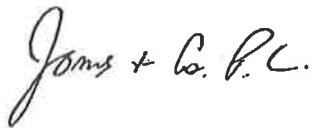
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 the Pottsville Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Jones + Co. P.C.".

December 16, 2020
Pottsville, Pennsylvania

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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**

Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pottsville 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 Pottsville Area School District's major federal programs for the year ended June 30, 2020. Pottsville 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 Pottsville 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 Pottsville 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 Pottsville Area School District's compliance.

Opinion on Each Major Federal Program

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

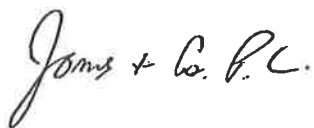
Report on Internal Control over Compliance

Management of the Pottsville 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 Pottsville 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 Pottsville 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 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.



December 16, 2020
Pottsville, Pennsylvania

**POTTSVILLE AREA SCHOOL DISTRICT
POTTSVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2020**

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

The Management 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

During the fiscal year 2019-2020, the Pottsville Area School District experienced another year of significant increases in the costs for instruction and health benefits for our employees. In the budgeting process, the Board of School Directors approved an increase in millage to our taxpayers in order to balance the budget.

USING THE ANNUAL FINANCIAL REPORT (AFR)

This annual report consists of two distinct series of financial statements: district-wide and fund.

The first two statements (district-wide) are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements (fund) focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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
Pottsville Area School District's
Financial Report

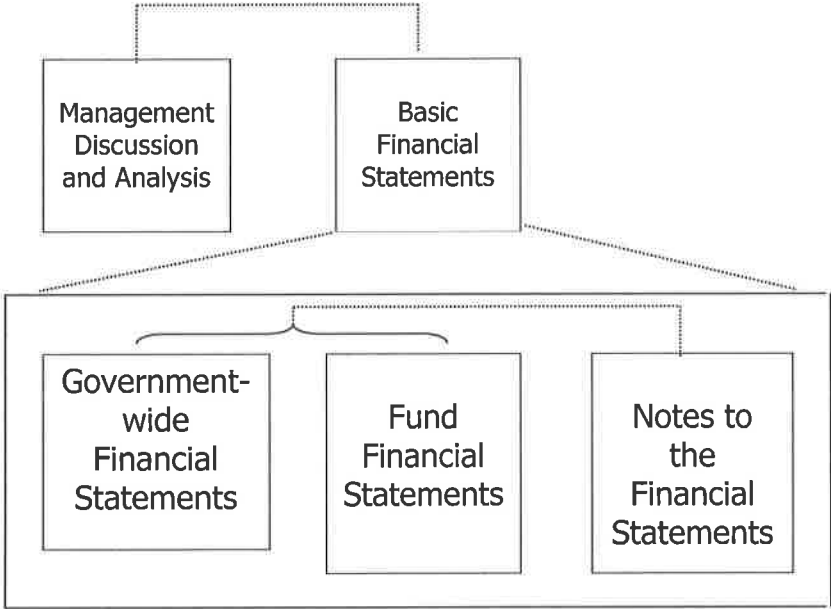


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

Figure A-2 Major Features of Pottsville Area School District's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of Net Position Statement of Activities (SOA)	Balance Sheet (NAG) Statement of Revenues, Expenditures, and Changes in Fund Balance (REG)	Statement of Net Position (NAP) Statement of Revenues, Expenses, and Changes in Fund Net Assets (REP) Statement of Cash Flows (CFP)	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Assets (CNAF)
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 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

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 assets 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 assets and how they have changed. Net assets, 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 assets 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, state and federal subsidies, and grants finance most of these activities.
- **Business-type activities** – The District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District's combined net position decreased at June 30, 2020 when compared to the prior fiscal year. Total net position increased \$2,536,453 during the year from (\$67,569,509) to (\$65,033,056) on June 30, 2020. (See Table A-3.)

**Table A-3
Pottsville Area School District
For Years Ended June 30, 2020 and 2019
Net Position**

	Governmental Activities 2019-2020	Governmental Activities 2018- 2019	Business Type Activities 2019-2020	Business Type Activities 2018-2019	Total 2019-2020	Total 2018-2019
Current And Other Assets	8,346,634	8,500,663	175,192	305,365	8,521,826	8,806,028
Capital Assets	10,154,850	10,905,102	9,769	11,151	10,164,619	10,916,253
Total Assets	18,501,484	19,405,765	184,961	316,516	18,686,445	19,722,281
Deferred Outflows of Resources	1,512,179	2,887,000	54,047	0	1,566,226	2,887,000
Total Assets & Deferred Outflows of Resources	20,013,663	22,292,765	239,008	316,516	20,252,671	22,609,281
Deferred Inflows Resources	8,507,063	8,360,000	442,097	48,966	8,949,160	8,408,966
Current And Other Liabilities	5,953,108	7,653,102	36,136	221,957	5,989,244	7,875,059
Long Term Liabilities	67,869,198	73,894,765	2,478,125	0	70,347,323	73,894,765
Total Liabilities	82,329,369	89,907,867	2,956,358	270,923	85,285,727	90,178,790
Invested In Capital Assets - Net Of Related Net	3,443,354	3,289,501	9,769	11,150	3,453,123	3,300,651
Capital Projects	612,947	616,861	0	0	612,947	616,861
Unrestricted Total Net Assets	-66,372,007	-71,521,464	-2,727,119	34,443	-69,099,126	-71,487,021
Total Net Position	-62,315,706	-67,615,102	-2,717,350	45,593	-65,033,056	-67,569,509
Total Liabilities And Net Position	20,013,663	22,292,765	239,008	316,516	20,252,671	22,609,281

Most of the District's net assets are invested in capital assets (buildings, land, and equipment).

Table A-4
Pottsville Area School District
Change in Net Position
For Years Ended June 30, 2020 and 2019

	Governmental Activities 2019-2020	Governmental Activities 2018-2019	Business Type Activities 2019-2020	Business Type Activities 2018-2019	Total 2019-2020	Total 2018-2019
REVENUES:						
Program Revenues						
Charges for Services		0	452,315	598,793	452,315	598,793
Operating Grants & Contributions	8,476,121	9,048,316	1,480,212	1,291,927	9,956,333	10,340,243
General Revenues						
Property Taxes	10,396,144	10,087,230	0	0	10,396,144	10,087,230
Other Taxes	5,466,388	5,625,605	0	0	5,466,388	5,625,605
State Formula Aid	14,455,190	14,219,714	0	0	14,455,190	14,219,714
Grants	0	63,217	838	15	838	63,232
Other	2,894,320	2,728,579	6,388	593	2,900,708	2,729,172
Transfers	0	0	0	0	0	0
Gain(Loss) Sale – Fixed Assets	276,066	171,221	0	0	276,066	171,221
Total Revenues	41,964,229	41,943,882	1,939,753	1,891,328	43,903,982	43,835,210
EXPENSES:						
Depreciation - Unallocated	690,506	771,135	0	0	690,506	771,135
Instruction	25,820,657	24,644,739	0	0	25,820,657	24,644,739
Instructional Student Support	2,569,644	2,352,298	0	0	2,569,644	2,352,298
Administration	4,178,396	4,114,487	0	0	4,178,396	4,114,487
Operation & Maintenance of Facilities	3,338,232	3,613,548	0	0	3,338,232	3,613,548
Pupil Transportation	1,244,300	1,300,125	0	0	1,244,300	1,300,125
Student Activities	946,107	808,210	0	0	946,107	808,210
Community Services	7,099	61,634	0	0	7,099	61,634
Interest on Long-Term Debt	190,226	190,239	0	0	190,226	190,239
Food Service	0	0	1,849,350	1,909,020	1,849,350	1,909,020
Capital Outlay	0	0	0			
Total Expenses	38,985,167	37,856,415	1,849,350	1,909,020	40,824,517	39,765,435
INCREASE (DECREASE) IN NET POSITION	2,979,062	4,087,467	90,403	-17,692	3,079,465	4,069,775

The District's total revenues were \$43,903,982 for the year ended June 30, 2020. Taxes and State Formula Aid amounted to \$30,317,722 or 69% of total revenue for the year. Another \$9,956,333 or 23% came from State and Federal Aid for specific programs (Operating Grants and Contributions) and the remainder totaling \$3,629,927 or 8% from Fees Charged for Services as well as Investment Earnings and Miscellaneous Sources. (See Table A-4.)

The total cost of all programs and services was \$40,824,517 for the year ended June 30, 2020. The majority of the District's costs related to educating and servicing students (Instruction, Instructional Student Support, Pupil Transportation, Student Activities), in the amount of \$30,580,708 or 75%, Administrative Costs accounted for \$4,178,396 or 10%, Operation of the District's Facilities accounted for \$3,338,232 or 8%, Food Service Costs made up \$1,849,350 or 5%, and all other expenses accounted for \$877,831 or 2%. (See Table A-4.)

Total expenses exceeded revenues decreasing net assets by \$3,079,465. (See Table A-4.)

The cost of all District activities was \$40,824,517. (See Table A-4.)

- Some of the cost was paid by the users of the District's programs (\$452,315).
- Federal and state governments subsidized certain programs with grants and contributions (\$9,956,333).
- Most of the District's costs (\$30,415,869) however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with taxes and state aid based on the statewide education aid formula and with investment earnings and other general revenues.

Table A-5
Pottsville Area School District
Net Cost of Governmental Activities
For Years Ended June 30, 2020 and 2019

	Total Cost of Services 2019-2020	Total Cost of Services 2018-2019	Percentage Change 2019-2020	Net Cost of Services 2019-2020	Net Cost of Services 2018-2019	2019-2020
Depreciation - Unallocated	690,506	771,135		-690,506	-771,135	
Instruction	25,820,657	24,644,739		-19,237,523	-17,510,104	
Instructional Student Support	2,569,644	2,352,298		-2,200,809	-1,999,618	
Administration	4,178,396	4,114,487		-3,654,725	-3,596,815	
Operation & Maintenance of Facilities	3,338,232	3,613,548		-3,115,409	-3,380,181	
Pupil Transportation	1,244,300	1,300,125		-602,106	-631,782	
Student Activities	946,107	808,210		-816,463	-676,086	
Community Services	7,099	61,634		-1,279	-52,139	
Interest & Charges on Long Term Debt	190,226	190,239		-190,226	-190,239	
Capital Outlay	0	0		0	0	
Less on Disposal of Assets	0	0		0	0	
Total Expenses	38,985,167	37,856,415	3%	-30,509,046	-28,808,099	6%

The results of this year's operations as a whole are reported in the Statement of Activities. 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. (See Table A-5.)

FINANCIAL ANALYSIS OF DISTRICT FUNDS

As of June 30, 2020, the District's governmental funds reported a combined fund balance of \$310,647, an increase of \$596,456 from the prior year amount of (\$285,809). (See Table A-6.) The primary reasons for this are specific to two funds:

General Fund:

The District budgeted significantly for health benefit costs, costs for anticipated needs of special education, and transportation. These costs continue to increase from year to year and are a challenge for the district in budgeting. Special education costs are dependent upon the type of student enrolled in the District each year. Enrollment and/or withdrawal of severely handicapped students can cause this expenditure to fluctuate. While the District does prepare a budget with a modest reserve each year for unexpected emergencies; this expenditure is dependent upon actual experience during the fiscal year. There were no significant unexpected expenditures during the year so the budgeted reserve amount was not needed.

Capital Reserve Fund:

The District has this fund for unforeseen and various capital expenditures.

**Table A-6
Pottsville Area School District
Change in Fund Balances
For Years Ended June 30, 2020 and 2019**

	Fund Balance June 30, 2020	Fund Balance June 30, 2019	Increase (Decrease)
General Fund	-302,300	-902,670	600,370
Capital Reserve Fund	612,947	616,854	-3,907
Capital Projects	0	7	-7
Non-Major Funds	0	0	0
Totals	310,647	-285,809	596,456

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. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

The following provides a summary of General Fund revenues:

Table A-7
Pottsville Area School District
General Fund Revenues
For Years Ended June 30, 2020 and 2019

	Revenues 2019-2020	Revenues 2018-2019	Increase (Decrease)	% Change
Local Sources				
Taxes	15,212,706	15,092,816	119,890	
Interest	48,413	49,784	(1,371)	
Other	2,685,991	2,759,081	(73,090)	
State Sources	21,851,088	22,208,181	(357,093)	
Federal Sources	1,082,223	1,059,849	20,374	
Other Sources	482,943	1,524,128	(1,041,185)	
Total Revenue	41,361,364	42,693,839	(1,332,475)	-3%

Total General Fund revenue decreased by \$1,332.475 or -3% from the previous year. (See Table A-7.)

The following provides a summary of General Fund expenditures:

**Table A-8
Pottsville Area School District
General Fund Expenditures
For Years Ended June 30, 2019 and 2020**

	Expenditures 2019-2020	Expenditures 2018-2019	Increase (Decrease)	% Change
Salaries	16,245,059	16,709,359	(464,300)	
Employee Benefits	13,192,062	13,094,437	97,625	
Purchased Services	8,070,488	9,796,194	(1,725,706)	
Supplies	1,595,854	1,666,178	(70,324)	
Equipment	234,464	33,565	200,899	
Debt Service	1,632,606	1,237,225	395,381	
Other Expenditures	216,964	160,875	56,089	
Total Expenditures	41,187,497	42,697,833	(1,510,336)	-4%

Total General Fund expenditures decreased \$1,510,336 or -4% from the previous year. The primary reason for this decrease is due to freeze on non-essential spending and evaluating all resignations, hires and retirement positions to see if positions are necessary. (See Table A-8.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the District had \$10,164,619 a decrease of \$751,634 invested in a broad range of capital assets, including land, buildings and furniture, and equipment. (See Table A-9.)

The following provides a summary of our Capital Assets:

**Table A-9
Pottsville Area School District
Capital Assets – Net of Depreciation
For Years Ended June 30, 2020 and 2019**

	Governmental Activities 2019-2020	Governmental Activities 2018-2019	Business Type Activities 2019- 2020	Business Type Activities 2018- 2019	Total 2019-2020	Total 2018-2019	% Change
Site Improvements	148,546	116,611			148,546	116,611	
Building & Building Improvements	8,978,640	9,650,636			8,978,640	9,650,636	
Furniture and Equipment	102,664	1,137,855	9,769	11,151	1,037,433	1,149,006	
Construction in Progress							
Long Term Prepayments							
Totals	10,154,850	10,905,102	9,769	11,151	10,164,619	10,916,253	-7%

Debt Administration

The District has an outstanding balance of \$161,488.69 from Dell Financial Inc. for computers. The District also has an agreement with Capital One Public Funding for the purchase of a new District-wide telephone system. Outstanding balance with Capital One Public Funding is \$6,234.23. The District has an energy conservation lease with Banc of America with an outstanding balance of \$976,640.75.

The District also has two lease agreements with Apple with the following outstanding balances:

- 1. \$1,007,662.00
- 2. \$1,358.48

On August 28, 2012, the District issued \$4,155,000 in general obligation bonds with the proceeds to be utilized for various capital improvements including roofing projects. This included sufficient funds to retire 2008 Bonds on October 1, 2013. The District also issued \$3,070,000 in general obligation bonds in 2016. The district was issued a General Obligation Note in June 2018 from Mid Penn Bank in the amount of \$285,000 for the Schuylkill Intermediate Unit STC roof project.

Other obligations include accrued sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the financial statements.

An extension for Redevelopment Assistance Capital Program (RACP) was granted by the Office of Budget until February 5, 2021 for the submission of the RACP application. Due to the Business Manager leaving for other employment, the Superintendent of Schools currently on medical leave, and COVID-19, the Pottsville Redevelopment Authority requested an extension for the RACP project on behalf of the Pottsville Area School District. The School District is working with Levkolic Associates toward uploading the grant application to the FTP site.

Solar Renewable Energy, LLC, completed the installation of all 3,633 modules on JSC Elementary, DHH Lengel Middle School, and Academic Center with the final module counts being 2,502; 987; & 144 respectively. In addition, the company completed the installation off all wiring and system inverters at both locations. The only outstanding piece of the installation outstanding is the installation of the switchgear at the JSC Elementary school location which was scheduled to be completed on October 31, 2020 & November 1, 2020. Upon installation of the switchgear, Solar Renewable Energy, LLC will submit for final inspection and permission to operate from PPL.

The following provides a summary of our Long – Term Liabilities:

**Table A-10
Pottsville Area School District
Long-Term Liabilities
For Years Ended June 30, 2020 and 2019**

	Year Ending June 30, 2020	Year Ending June 30, 2019	Increase (Decrease)
General Obligation Bonds/LOC	4,960,000	5,675,000	(715,000)
Other Outstanding Debt & Compensated Absences	8,155,579	8,868,068	(712,489)
Net PSERS Pension Liability	55,845,153	61,014,000	(5,168,847)

Totals	68,960,732	75,557,068	(6,596,336)
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ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

A major financial issue facing the District again in fiscal year 2020-2021 will be the funding of our employer contribution to PSERS. The rate during 2020-2021 is 34.51%, it has been established by the PSERS Board at 34.94% in 2021-2022. In 2004-2005, the rate was 4.23%. Another significant cost is the tuition paid to cyber/charter schools which have exceeded \$1.5 million in the 2013-14 and grew to \$1.9 million in 2015-16. Special education costs have grown significantly each year which has a direct correlation to rising costs in the related transportation for the special education students. Historically, the District was part of a consortium arrangement with Schuylkill Intermediate Unit No. 29 for their special education services. The consortium was comprised of twelve county public school districts during the 2002-2003 school year, eleven during the 2003-2004 school year, and has been declining since then. Over this time period our percentage of students requiring special education services has increased which has a direct correlation with the level of costs dependent on the severity of the disability.

Starting with the 2005-2006 school year, the District had taken over their district-located special education classes. As a result, the District will have to continue to budget for district-located special education costs as well as budgeting for special education students still located at the Intermediate Unit.

Please note that after reconciliation received in November 2019, there was a decrease in the payment to the Intermediate Unit in the amount of \$3,827.58 for 2018-2019. Special Education costs for school year 2018-2019 were \$823,217.

There is a tentative projected decrease in the payment to the Intermediate Unit for 2019-2020 in the amount of \$88,167 noting that more could be owed after reconciliation in December 2020. In addition to the Intermediate Unit costs, the District has projected \$8,787,348 of Special Education costs for District-located classes.

It will be necessary to continue to closely monitor future special education costs due to the fact of the District taking over its District-located special education classes as well as our reconciliation from the Intermediate Unit not being received until December of the following year. (See Table A-11.)

**Table A-11
Pottsville Area School District
Intermediate Unit Special Education Costs
For Years Ended June 30, 2021, 2020, 2019, 2018**

	IU Special Ed 2020-2021	IU Special Ed 2019-2020	% Change	IU Special Ed 2018-2019	% Change
Projected Figure	\$876,443	\$735,050	19.87%	\$823,217	-11%
Adjustment		\$3,827.58			
Final Owed		\$731,222.42			

The District's retirement contribution on behalf of its employees to the Pennsylvania School Employees Retirement System (PSERS) increased for 2020-2021 by .22%. (See Table A-12.) The District also expects health care premiums to increase approximately 7% per year for the foreseeable future. Specifically, The PSERS rate is scheduled to increase to 34.94% on July 1, 2021. All of these factors may cause the Board to reduce programs, increase taxes, or both.

**Table A-12
Pottsville Area School District
Employer's Retirement Contributions**

Retirement 2021-2022	Retirement 2019-2020	Retirement 2018-2019	Retirement 2017-2018	Retirement 2016-2017
34.51%	34.29%	33.43%	32.57%	30.03%

The percentage of the total budget of revenue and expenditure by category for 2020-2021 as compared to 2019-2020 is as follows:

BUDGETED REVENUES

	<u>2020-2021</u>	<u>2019-2020</u>
Local	44%	43%
State	53%	53%
Federal/Other	3%	4%

BUDGETED EXPENDITURES

	<u>2020-2021</u>	<u>2019-2020</u>
Instruction	64%	62%
Support Services	29%	29%
Non-Instruction/Community	3%	2%
Fund Transfers/Debt	4%	7%

The Pottsville Area School District continues to monitor student enrollment. The District's student enrollment continues to see a decrease in the number of students. There was a decrease of 1,000 students from 1990 through January 2020. Total enrollment in January 2020 was 2,512 as compared to 3,414 in 1990.

Assessed value trends continue to decline from 296,535,100 in 2018-2019, 296,438,220 in 2019-2020 and in 2020-2021 the assessed value is 295,474,815.

The School District has two tax advantaged employer sponsored retirement plans. PSERS Defined Benefit (DB) Plan is based on a calculation. PSERS Defined Contribution (DC) Plan is retirement benefits based on the amount of contributions made to the plan and the investment performance of those contributions.

The District may not see the potential effects of COVID-19 until the next school year. Revenue from Earned Income Tax, Occupation Tax and Business Privilege Tax could be lower than expected. On the expenditure side, Charter School enrollment fluctuations will have an impact with students attending remotely due to COVID-19.

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 Mrs. Corinne Mason, Interim Business Manager at Pottsville Area School District, 1501 West Laurel Boulevard, Pottsville, PA 17901, (570) 621-2900.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents - Unrestricted	\$ 1,594,922	\$ 71,195	\$ 1,666,117
Cash and cash equivalents - Restricted	612,947	0	612,947
Taxes receivable, net	4,188,528	0	4,188,528
Intergovernmental receivables	1,950,237	49,966	2,000,203
Inventories	0	54,031	54,031
TOTAL CURRENT ASSETS	<u>8,346,634</u>	<u>175,192</u>	<u>8,521,826</u>
NON-CURRENT ASSETS			
Land and site improvements - net of accumulated depreciation	148,546	0	148,546
Building and building improvements - net of accumulated depreciation	8,978,640	0	8,978,640
Furniture, equipment, and automobiles - net of accumulated depreciation	1,027,664	9,769	1,037,433
TOTAL NON-CURRENT ASSETS	<u>10,154,850</u>	<u>9,769</u>	<u>10,164,619</u>
TOTAL ASSETS	18,501,484	184,961	18,686,445
DEFERRED OUTFLOWS OF RESOURCES	<u>1,512,179</u>	<u>54,047</u>	<u>1,566,226</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 20,013,663</u>	<u>\$ 239,008</u>	<u>\$ 20,252,671</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 295,106	\$ 17,220	\$ 312,326
Intergovernmental payables	510,139	0	510,139
Accrued salaries and benefits	2,465,594	15,965	2,481,559
Current portion of long-term debt	1,016,533	0	1,016,533
Current portion of compensated absences	75,000	0	75,000
Internal balances	(2,951)	2,951	0
Accrued expenses	1,545,426	0	1,545,426
Accrued interest	48,261	0	48,261
TOTAL CURRENT LIABILITIES	<u>5,953,108</u>	<u>36,136</u>	<u>5,989,244</u>
NON-CURRENT LIABILITIES			
Bonds/notes payable	4,757,235	0	4,757,235
Extended term financing agreements payable	1,606,145	0	1,606,145
Long-term portion of compensated absences	734,104	9,100	743,204
Net PSERS pension liability	55,845,153	2,305,847	58,151,000
Other postemployment benefits	4,926,561	163,178	5,089,739
TOTAL NON-CURRENT LIABILITIES	<u>67,869,198</u>	<u>2,478,125</u>	<u>70,347,323</u>
TOTAL LIABILITIES	<u>73,822,306</u>	<u>2,514,261</u>	<u>76,336,567</u>
DEFERRED INFLOWS OF RESOURCES	8,507,063	442,097	8,949,160
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt	3,443,354	9,769	3,453,123
Restricted for capital projects	612,947	0	612,947
Unrestricted	(66,372,007)	(2,727,119)	(69,099,126)
TOTAL NET POSITION (DEFICIT)	<u>(62,315,706)</u>	<u>(2,717,350)</u>	<u>(65,033,056)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	<u>\$ 20,013,663</u>	<u>\$ 239,008</u>	<u>\$ 20,252,671</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Unallocated depreciation	\$ 690,506	\$ 0	\$ 0	\$ (690,506)	\$ 0	\$ (690,506)
Instruction	25,820,657	0	6,583,134	(19,237,523)	0	(19,237,523)
Instructional student support	2,569,644	0	368,835	(2,200,809)	0	(2,200,809)
Administrative and financial support services	4,178,396	0	523,671	(3,654,725)	0	(3,654,725)
Operation and maintenance of plant services	3,338,232	0	222,823	(3,115,409)	0	(3,115,409)
Pupil transportation	1,244,300	0	642,194	(602,106)	0	(602,106)
Student activities	946,107	0	129,644	(816,463)	0	(816,463)
Community services	7,099	0	5,820	(1,279)	0	(1,279)
Capital outlay	0	0	0	0	0	0
Interest on long-term debt	190,226	0	0	(190,226)	0	(190,226)
TOTAL GOVERNMENTAL ACTIVITIES	38,985,167	0	8,476,121	(30,509,046)	0	(30,509,046)
BUSINESS-TYPE ACTIVITIES						
Food services	1,849,350	452,315	1,480,212	0	83,177	83,177
TOTAL PRIMARY GOVERNMENT	40,834,517	452,315	9,956,333	(30,509,046)	83,177	(30,425,869)
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				10,396,144	0	10,396,144
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				5,466,388	0	5,466,388
Grants, subsidies, and contributions not restricted				14,455,190	0	14,455,190
Investment earnings				0	838	838
Transfers				0	0	0
Gain (loss) on the sale of fixed assets				276,066	0	276,066
Miscellaneous				2,894,320	6,388	2,900,708
TOTAL GENERAL REVENUES AND TRANSFERS				33,488,108	7,226	33,495,334
CHANGE IN NET POSITION				2,979,062	90,403	3,069,465
NET POSITION (DEFICIT) - BEGINNING				(67,615,102)	45,593	(67,569,509)
PRIOR PERIOD ADJUSTMENT				2,320,334	(2,853,346)	(533,012)
NET POSITION (DEFICIT) - ENDING				\$ (62,315,706)	\$ (2,717,350)	\$ (65,033,056)

See notes to financial statements which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General</u>	<u>Capital Reserve</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash	\$ 1,594,922	\$ 612,947	\$ 0	\$ 2,207,869
Taxes receivable, net	4,188,528	0	0	4,188,528
Due from other funds	2,951	0	0	2,951
Intergovernmental receivables	1,950,237	0	0	1,950,237
TOTAL ASSETS	<u>7,736,638</u>	<u>612,947</u>	<u>0</u>	<u>8,349,585</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,736,638</u>	<u>\$ 612,947</u>	<u>\$ 0</u>	<u>\$ 8,349,585</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ 295,104	\$ 0	\$ 0	\$ 295,104
Intergovernmental payables	510,139	0	0	510,139
Accrued expenses	1,545,426	0	0	1,545,426
Accrued salaries, benefits, and payroll withholdings	2,465,595	0	0	2,465,595
TOTAL LIABILITIES	<u>4,816,264</u>	<u>0</u>	<u>0</u>	<u>4,816,264</u>
DEFERRED INFLOWS OF RESOURCES	3,222,674	0	0	3,222,674
FUND BALANCES (DEFICIT)				
Restricted	0	612,947	0	612,947
Unassigned	(302,300)	0	0	(302,300)
TOTAL FUND BALANCES (DEFICIT)	<u>(302,300)</u>	<u>612,947</u>	<u>0</u>	<u>310,647</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	<u>\$ 7,736,638</u>	<u>\$ 612,947</u>	<u>\$ 0</u>	<u>\$ 8,349,585</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 310,647
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	30,787,209
Less: accumulated depreciation	(20,632,359)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	
Bonds/Notes payable	(5,226,529)
Extended term financing agreements payable	(2,153,384)
Other postemployment benefits	(4,926,561)
Net PSERS pension liability	(55,845,153)
Compensated absences	(809,105)
Delinquent personal and property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	3,222,674
Net Deferred outflows (inflows) related to PSERS net pension and OPEB liabilities	(6,994,884)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(48,261)</u>
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$ <u>(62,315,706)</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	General	Capital Reserve	Capital Projects	Total Governmental Funds
REVENUES				
Local sources	\$ 18,363,612	\$ 13,496	\$ 0	\$ 18,377,108
State sources	21,851,088	0	0	21,851,088
Federal sources	1,080,223	0	0	1,080,223
TOTAL REVENUES	41,294,923	13,496	0	41,308,419
OTHER FINANCING SOURCES				
Proceeds from sales of assets	276,066	0	0	276,066
Proceeds from extended term financing	206,878	0	0	206,878
TOTAL OTHER FINANCING SOURCES	482,944	0	0	482,944
TOTAL REVENUES AND OTHER FINANCING SOURCES	41,777,867	13,496	0	41,791,363
EXPENDITURES				
Instruction	26,514,040	0	0	26,514,040
Support services	11,811,887	0	0	11,811,887
Non-instructional services	1,029,741	0	0	1,029,741
Capital outlay	0	17,410	0	17,410
Debt service	1,821,829	0	0	1,821,829
TOTAL EXPENDITURES	41,177,497	17,410	0	41,194,907
OTHER FINANCING (USES)				
Interfund transfer	0	7	(7)	0
TOTAL OTHER FINANCING (USES)	0	7	(7)	0
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	41,177,497	17,403	7	41,194,907
NET CHANGE IN FUND BALANCES	600,370	(3,907)	(7)	596,456
FUND BALANCES (DEFICIT) - BEGINNING	(902,670)	616,854	7	(285,809)
PRIOR PERIOD ADJUSTMENT	0	0	0	0
FUND BALANCES (DEFICIT) - ENDING	\$ (302,300)	\$ 612,947	\$ 0	\$ 310,647

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 596,456
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 government funds.	379,743
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,632,608
Compensated absences reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(200,806)
Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	107,434
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	(1,004)
Gains (losses) on dispositions of assets are recognized in the Statement of Activities	276,066
Governmental funds report issuance of long term debt as revenues. In the Statement of Net Position these are listed as long-term debt.	(206,878)
Governmental funds recognize sales of fixed assets as revenue while they are part of recognized gains (losses) in the statement of Activities	(276,066)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	180,560
Pension expense related to the PSERS net pension liability	1,421,761
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(930,812)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>2,979,062</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 18,297,464	\$ 18,297,464	\$ 18,363,612	\$ 66,148
State sources	22,887,274	22,887,274	21,851,088	(1,036,186)
Federal sources	1,000,105	1,000,105	1,080,223	80,118
TOTAL REVENUES	<u>42,184,843</u>	<u>42,184,843</u>	<u>41,294,923</u>	<u>(889,920)</u>
OTHER FINANCING SOURCES				
Proceeds from sales of assets	560,000	560,000	276,066	(283,934)
Proceeds from extended term financing	0	0	206,878	206,878
TOTAL OTHER FINANCING SOURCES	<u>560,000</u>	<u>560,000</u>	<u>482,944</u>	<u>(77,056)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>42,744,843</u>	<u>42,744,843</u>	<u>41,777,867</u>	<u>(966,976)</u>
EXPENDITURES				
Regular programs	17,384,926	17,384,926	17,508,408	(123,482)
Special programs	7,379,925	7,379,925	7,265,463	114,462
Vocational programs	1,274,847	1,274,847	1,220,407	54,440
Other instructional programs	537,971	537,971	478,469	59,502
Nonpublic school programs	0	0	41,293	(41,293)
Pupil personnel services	1,155,249	1,155,249	1,215,551	(60,302)
Instructional staff services	1,045,495	1,045,495	960,064	85,431
Administrative services	2,552,750	2,552,750	2,523,429	29,321
Pupil health	513,315	513,315	505,604	7,711
Business services	830,656	830,656	802,440	28,216
Operation and maintenance of plant services	3,770,001	3,770,001	3,412,463	357,538
Student transportation services	1,469,625	1,469,625	1,283,256	186,369
Central and other support services	910,328	910,328	1,109,080	(198,752)
Other support services	0	0	0	0
Student activities	909,869	909,869	980,605	(70,736)
Community services	73,700	73,700	48,986	24,714
Scholarships and awards	0	0	150	(150)
Capital outlay	0	0	0	0
Debt service (principal and interest)	1,835,841	1,835,841	1,821,829	14,012
TOTAL EXPENDITURES	<u>41,644,498</u>	<u>41,644,498</u>	<u>41,177,497</u>	<u>467,001</u>
OTHER FINANCING (USES)				
Interfund transfers	(1,100,000)	(1,100,000)	0	(1,100,000)
TOTAL OTHER FINANCING (USES)	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>0</u>	<u>(1,100,000)</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	<u>42,744,498</u>	<u>42,744,498</u>	<u>41,177,497</u>	<u>1,567,001</u>
NET CHANGE IN FUND BALANCES	345	345	600,370	600,025
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(537,980)</u>	<u>(537,980)</u>	<u>(902,670)</u>	<u>(364,690)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (537,635)</u>	<u>\$ (537,635)</u>	<u>\$ (302,300)</u>	<u>\$ 235,335</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Food Service
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash	\$ 71,195
Intergovernmental receivables	49,966
Inventories	54,031
TOTAL CURRENT ASSETS	175,192
NON-CURRENT ASSETS	
Machinery and equipment	683,710
Less: accumulated depreciation	(673,941)
TOTAL NON-CURRENT ASSETS	9,769
DEFERRED OUTFLOWS OF RESOURCES	54,047
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 239,008
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable	\$ 17,220
Due to other funds	2,951
Accrued salaries and benefits	15,965
TOTAL CURRENT LIABILITIES	36,136
NON-CURRENT LIABILITIES	
PSERS Pension Liability	2,305,847
PSERS and District OPEB Liability	163,178
Long-term portion of compensated absences	9,100
TOTAL NON-CURRENT LIABILITIES	2,478,125
TOTAL LIABILITIES	2,514,261
DEFERRED INFLOWS OF RESOURCES	442,097
NET POSITION (DEFICIT)	
Invested in capital assets - net of related debt	9,769
Unrestricted	(2,727,119)
TOTAL NET POSITION (DEFICIT)	(2,717,350)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	\$ 239,008

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Food Service</u>
OPERATING REVENUES	
Food service revenues	\$ 452,315
Other operating revenues	6,388
TOTAL OPERATING REVENUES	<u>458,703</u>
 OPERATING EXPENSES	
Personal services - salaries	698,524
Personal services - employee benefits	454,678
Purchased property services	12,353
Supplies	681,850
Depreciation	1,381
Other operating expenses	564
TOTAL OPERATING EXPENSES	<u>1,849,350</u>
 OPERATING (LOSS)	 <u>(1,390,647)</u>
 NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	838
State sources	243,574
Federal sources	1,236,638
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,481,050</u>
 CONTRIBUTIONS AND TRANSFERS	
Transfers in (out)	<u>0</u>
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>0</u>
 CHANGE IN NET POSITION	 90,403
 NET POSITION - BEGINNING OF YEAR	 45,593
 PRIOR PERIOD ADJUSTMENT	 <u>(2,853,346)</u>
 NET POSITION (DEFICIT) - END OF YEAR	 <u>\$ (2,717,350)</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and intergovernments	\$ 458,703
Cash paid to employees for services	(1,153,202)
Cash paid to suppliers for goods and services	(862,390)
NET CASH (USED FOR) OPERATING ACTIVITIES	(1,556,889)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	243,574
Federal sources	1,236,638
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	1,480,212
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 0
 CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	838
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,839)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	147,034
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 71,195
 OPERATING INCOME (LOSS)	 \$ (1,390,647)
 ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Depreciation	1,381
Changes in current assets and current liabilities	
(Increase) Decrease in intergovernmental receivables	(19,445)
(Increase) Decrease in other receivables	50,513
(Increase) Decrease in inventories	23,267
(Increase) Decrease in deferred outflows of resources	60,478
(Increase) Decrease in due from other funds	47,062
Increase (Decrease) in accounts payable	9,678
Increase (Decrease) in net PSERS net pension liability	(114,517)
Increase (Decrease) in PSERS and District OPEB net liability	3,662
Increase (Decrease) in compensated absences	1,162
Increase (Decrease) in advances to other funds	(250,588)
Increase (Decrease) in accrued salaries and benefits	15,965
Increase (Decrease) in deferred inflows of resources	5,140
TOTAL ADJUSTMENTS	(166,242)
 TOTAL CASH (USED FOR) OPERATING ACTIVITIES	 \$ (1,556,889)

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash	\$ 843,056	\$ 432,002	\$ 1,275,058
TOTAL ASSETS	<u>843,056</u>	<u>432,002</u>	<u>1,275,058</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 843,056</u>	<u>\$ 432,002</u>	<u>\$ 1,275,058</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ 0	\$ 432,002	\$ 432,002
TOTAL LIABILITIES	<u>0</u>	<u>432,002</u>	<u>432,002</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION			
Unrestricted	<u>843,056</u>	<u>0</u>	<u>843,056</u>
TOTAL NET POSITION	<u>843,056</u>	<u>0</u>	<u>843,056</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 843,056</u>	<u>\$ 432,002</u>	<u>\$ 1,275,058</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and contributions	\$ 76,862
Other additions	<u>12,433</u>
TOTAL ADDITIONS	<u>89,295</u>
 DEDUCTIONS	
Scholarships awarded	98,160
TOTAL DEDUCTIONS	<u>98,160</u>
 CHANGE IN NET POSITION	<u>(8,865)</u>
 NET POSITION - BEGINNING OF YEAR	<u>851,921</u>
 NET POSITION - END OF YEAR	<u><u>\$ 843,056</u></u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Pottsville Area School District (the "District") is governed by the Pottsville Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The financial statements of the Pottsville Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

- Management's Discussion and Analysis (MDA), providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on major funds

OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

During the year ended June 30, 2019, the District adopted the provisions of GASB Statement No. 74, "*Financial Reporting for Postemployment Benefits Plan other than Pension Plan*" and GASB Statement No. 75, "*Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions.*" This statement provides the accounting and reporting requirements for the benefit plans as well as require that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. For the purpose of the financial statements, GASB Statement No. 75 requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. Accordingly, the District's net OPEB obligations are reported on the statement of net assets.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REPORTING ENTITY

The District is not a component unit of any other primary government.

BASIS OF PRESENTATION

District-wide statements - The statement of net assets and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
- Taxes and other items not properly included among program revenues are reported as general revenues.

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION - continued

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Capital Projects/Reserve Funds - The Capital Projects/Reserve Funds are used to account for financial resources to be used for the acquisition or construction of capital items or extraordinary expenditures.

The District reports the following major proprietary fund types:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

BUDGETING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

DEPOSITS AND INVESTMENTS

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

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

TAXES ASSESSED

The following is a listing of the taxes assessed along with their respective tax levy:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Tax Levy</u>
Real Estate - Schuylkill County	41.94 mills	\$ 11,724,475
Occupation Tax - Act 511	\$119.31/person	1,584,198
Per Capita Tax - Act 511	\$ 5.00/person	66,390
Per Capita Tax - Section 679	\$ 5.00/person	66,390
Total Assessed Valuation		\$ <u>13,441,453</u>

The following is the tax calendar showing levy date, payment periods and delinquent dates for the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	November 1 to December 31
Delinquent date	December 31

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. An allowance has been established to recognize the uncollectible portion.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVENTORY

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the fund based financial statements, commodities received are recorded as deferred revenue until consumed.

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,250. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not Depreciated
Land Improvements	20 years
Buildings and Improvements	15-30 years
Furniture and Equipment	5-15 years
Vehicles	3-15 years

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method, which has no current maximum per employee. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are expensed in period incurred.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY

In the fund financial statements, governmental funds report designations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a restricted purpose.

NET POSITION

Net assets represent the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS:

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. At June 30, 2020, the carrying amount of the District's deposits were \$3,554,122. and the bank balance was \$3,631,130. Of the bank balance \$585,187. was covered by federal depository insurance, and \$2,432,996. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name. The District is secured under Act 72 as required by the Commonwealth of Pennsylvania primarily by a pledged pool of securities.

A portion of the District's deposits (\$612,947.) are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its 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.

INVESTMENTS

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds. As of June 30, 2020, the District had no investments.

Investments classified as U.S. agencies are securities of agencies of the U.S. government that have an implied but not explicit guarantee.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS – continued

INVESTMENTS - continued

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their 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.

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. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year.

Custodial Credit Risk

For an investment, custodial credit risk 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.

Credit Risk

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2020, PSDLAF, PLGIT, INVEST, FHLBs, FHLMCs, and FNMA were rated as AAA by a nationally recognized statistical rating organization.

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - CAPITAL ASSETS:

A summary of capital asset activity during the fiscal year follows:

	<u>Balance June 30, 2019</u>	<u>Net Additions (Deductions)</u>	<u>Balance June 30, 2020</u>
Governmental Activities:			
Capital Assets, Not Being Depreciated	\$ 0	\$ 0	\$ 0
Total Capital Assets, Not Being Depreciated	0	0	0
Capital Assets, Being Depreciated:			
Land and Site Improvements	1,656,446	42,037	1,698,483
Buildings and Improvements	22,773,056	(30,820)	22,742,236
Furniture, Equipment, and Vehicles	<u>6,177,147</u>	<u>169,343</u>	<u>6,346,490</u>
Total Capital Assets, Being Depreciated	30,606,649	180,560	30,787,209
Accumulated Depreciation For:			
Land and Site Improvements	(1,539,835)	(10,102)	(1,549,937)
Buildings and Improvements	(13,122,420)	(641,176)	(13,763,596)
Furniture, Equipment, and Vehicles	<u>(5,039,292)</u>	<u>(279,534)</u>	<u>(5,318,826)</u>
Total Accumulated Depreciation	(19,701,547)	(930,812)	(20,632,359)
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>
Governmental Activities - Capital Assets, Net	<u>\$ 10,905,102</u>	<u>\$ (750,252)</u>	<u>\$ 10,154,850</u>
Business-type Activities:			
Furniture/Equipment	\$ 683,710	\$ 0	\$ 683,710
Less: Accumulated Depreciation	<u>(672,560)</u>	<u>(1,381)</u>	<u>(673,941)</u>
Business-type Activities - Capital Assets, Net	<u>\$ 11,150</u>	<u>\$ (1,381)</u>	<u>\$ 9,769</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Unallocated	\$ 690,506
Instructional	228,337
Student Transportation	5,489
Student Activities	<u>6,480</u>
Total Governmental Activities	930,812
Business-Type Activities	
Food Service	<u>1,381</u>
Total Depreciation Expense	<u>\$ 932,193</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT:

A summary of General Long-Term Debt is as follows:

	Compensated Absences	General Obligation Bonds/Notes	Extended Term Financings	Net PSERS Pension Liability	Other Post Employment Benefits	Total
Balance - July 1, 2019	\$ 608,300	\$ 5,675,000	\$ 3,130,642	\$ 61,014,000	\$ 5,129,127	\$ 75,557,069
Additions	200,805	0	206,878	0	0	407,683
Principal Reductions	0	(448,471)	(1,184,136)	(2,863,000)	(39,388)	(4,534,995)
Balance - June 30, 2020	<u>\$ 809,105</u>	<u>\$ 5,226,529</u>	<u>\$ 2,153,384</u>	<u>\$ 58,151,000</u>	<u>\$ 5,089,739</u>	<u>\$ 71,429,757</u>
Due Within One Year	<u>\$ 75,000</u>	<u>\$ 469,294</u>	<u>\$ 547,239</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,091,533</u>

COMPENSATED ABSENCES

General Long-Term Debt includes a liability of \$809,105., which represents the amounts of compensated absences computed by using unused sick days. If an employee separates from service for reasons other than sickness or retirement, no payout is required. If an employee retires with unused compensated absences, the payout policy is as follows:

Emergency and personal - no payout

Vacation (administrative personnel) – no payout

Sickness - payout is based on the number of sick days accumulated at time of retirement with payment per day ranging from \$35/day to \$90/day depending upon the number of days accrued with no maximum per professional employee.

Nonprofessional employees - payout is based on the number of sick days accumulated at time of retirement with payment per day of \$25/day. Depending upon the number of days accrued are subject to a minimum payout of \$500 or \$700 depending upon years of service with the District, and maximum payout of either 150 or 200 days depending on years of service with the District.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued

EXTENDED TERM FINANCINGS

Extended term financings are comprised of the following agreements:

AFS Education Finance

On March 25, 2017, the District entered into a capital lease with Apple Financial Services Education Finance in the amount of \$17,358. for the acquisition of various computer equipment. Terms require fourteen (14) quarterly payments of \$1,328.79 including interest through August 15, 2020.

\$ 1,358

Citi Mortgage Agreement

On September 26, 2006, the District entered into an extended term financing agreement with Citi Mortgage. Proceeds were used to finance a new District-wide telephone system. Terms require three (3) interest only payments of \$756.38 each and 166 payments of \$1,573.95, including interest at the rate of 4.73% per annum through October 2020.

\$ 6,234

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued

EXTENDED TERM FINANCINGS - continued
Banc of America Public Capital Corp

On May 14, 2013, the District entered into a Capital Lease with Banc of America Public Capital Corp in the amount of \$3,200,977. to finance a Honeywell energy contract in the amount of \$1,185,000. The balance of the funds (\$2,015,977.) was utilized to satisfy the CITI Capital Lease identified above. Terms require 193 monthly payments ranging from \$8,041.17 to \$32,172.93 including interest at 4.504% per annum through May 14, 2029.

\$ 976,641

AFS Education Finance

On May 15, 2019, the District entered into a Capital Lease with Apple Financial Services Education Finance in the amount of \$1,351,397.63. for the acquisition of various computer equipment. Terms require 4 annual payments of \$351,425.57 including interest at 2.29% per annum through September 1, 2022.

\$ 1,007,662

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued

EXTENDED TERM FINANCINGS – continued

LEAF Capital Funding

On July 16, 2014, the District obtained a capital lease in the amount of \$41,800 thru LEAF Capital Funding, LLC for the purchase of Toshiba Laptop computers. Terms of the lease call for 60 monthly payments of \$806.74 at an interest rate of 5.929% through July 2019. This lease was satisfied during the current year.

\$ 0

AFS Education Finance

On April 29, 2016, the District entered into a Capital Lease with Apple Financial Services Education Finance in the amount of \$1,624,637. for the acquisition of various computer equipment. Terms require 16 quarterly payments of \$103,995.23 including interest at 1.173% per annum through April 1, 2020. This lease was satisfied during the current year.

\$ 0

Dell Financial Services

On October 1, 2019, the District entered into a Capital Lease with Dell Financial Services in the amount of \$206,878. for the acquisition of various computer equipment. Terms require 4 annual payments of \$45,388.95 including interest at 4.75% per annum through October 1, 2023.

\$ 161,489

NET PSERS PENSION LIABILITY:

During the year ended June 30, 2020 the District, in conformity with GASB 68 recorded its share of the Net PSERS pension liability. At June 30, 2020 the Districts' share of the liability is \$58,151,000. See Note 16 for more information.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT – continued

GENERAL OBLIGATION BONDS/NOTES

General Obligation Bonds - Series of 2012

On August 28, 2012, the District issued \$4,155,000. of General Obligation Bonds for the purpose of substantially refunding the Series of 2008 issue and to pay the costs of issuance. Interest rates range from .26% through 2.77%. Annual installments as set fourth below are required to provide for payment of principal and interest through October 2027.

\$ 2,440,000

General Obligation Bonds - Series of 2016

On February 18, 2016, the District issued \$3,070,000. of General Obligation Bonds for the purpose of financing a infrastructure and guaranteed energy reduction District wide project and to pay the costs of issuance. Interest rates range from .90% through 2.65%. Annual installments as set fourth below are required to provide for payment of principal and interest through May 2031.

\$ 2,520,000

General Obligation Note of 2018

On June 22, 2018 the District obtained a General Obligation Note from Mid Penn Bank in the maximum amount of \$315,000 for the purpose of funding renovation costs at the Schuylkill Technology Center. Terms of repayment commencing July 22, 2018 are 12 monthly payments of interest only at 3.90%, then 108 monthly payments of principal and interest at the rate of 3.90%, then 60 monthly payments of principal and interest at 80% of WSJ prime rate with a cap of 5.00%. The final payment is due June 23, 2033.

\$ 266,529

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT – continued

OTHER POST EMPLOYMENT BENEFITS

The District also provides other postemployment benefits as more fully discussed in Notes 14 and 17. Total liability at June 30, 2020 was \$5,089,739.

A summary of Long-Term Debt principal maturities and interest requirements follows:

Year Ending June 30,	General Obligation Bonds/Notes	Extended Term Financing Agreements	Total
2021	\$ 608,933	\$ 597,750	\$ 1,206,683
2022	614,883	496,587	1,111,470
2023	620,315	499,706	1,120,021
2024	629,948	151,492	781,440
2025	643,778	109,411	753,189
2026-2030	2,667,163	462,155	3,129,318
2031-2035	344,549	0	344,549
Subtotal	6,129,569	2,317,101	8,446,670
Less: Interest Expense	(903,040)	(163,717)	(1,066,757)
Principal Outstanding	\$ 5,226,529	\$ 2,153,384	\$ 7,379,913

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - RISK MANAGEMENT AND LITIGATION:

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets errors and omissions; injuries to employees; and natural disasters. The District maintains coverage from commercial insurance companies to cover these risks of loss.

NOTE 6 - OTHER DISCLOSURE - JOINT SECONDARY PROGRAM MANAGEMENT AGREEMENT:

On July 1, 1991, the Saint Clair Area School District and the Pottsville Area School District entered into an agreement which provides for the education of grades 9 through 12 of the Saint Clair Area School District at the Pottsville Area High School. The agreement had been officially ratified by both School Boards.

Significant agreement provisions were:

- (1) Agreement duration - Unless terminated early, as set forth below, the agreement is in force for a period of (5) five years, commencing on July 1, 1991 and ending June 30, 1997. The agreement will automatically renew subject to limitations thereafter.
- (2) Termination provisions - The agreement will remain in effect for a minimum period of five (5) years and is not subject to termination during this period except by written consent of **both** parties. After this period, **either** party may terminate the agreement by giving written notice to the other at least one (1) year prior to the beginning of the school year of intended termination.
- (3) Tuition payments - The Saint Clair Area School District will pay to Pottsville Area for those students who attend school in Pottsville Area tuition payments which will be calculated in accordance with Section 2561 of the Public School Code (as amended). Payment terms provide for estimated monthly payments based on the annual joint program budget with a final reconciliation being done in May with the final payment being due on or before June 30.
- (4) Transportation - The Saint Clair Area School District shall arrange and pay for transportation to and from Pottsville Area.
- (5) Joint School Committee - The program shall be directed by a joint school committee appointed by both School Boards. The committee shall consist of four (4) members elected from the Pottsville Area Board of Directors and one (1) member elected from the Saint Clair Board of Directors.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - OTHER DISCLOSURE - JOINT SECONDARY PROGRAM MANAGEMENT AGREEMENT - continued

On October 20, 1993, the Saint Clair Area School District and the Pottsville Area School District entered into an extension agreement which will extend the original agreement for an additional five (5) year term extending through and including the 2000-2001 school year. The agreement shall remain in effect for such extended five (5) year period and shall not be subject to termination during such five (5) year extension period, except by the formal action and written consent of **both** parties. After this period, the agreement shall be automatically renewed unless one party indicates its desire to terminate such agreement at least one (1) year prior to the start of the last year as indicated under this extension agreement. The agreement shall continue to be automatically renewable thereafter for a period of one (1) year or as otherwise agreed to by both parties unless **either** party cancels by giving the other party written notice at least one (1) year prior to the termination of any such renewal period.

On October 7, 2015 the District's entered into an updated agreement for the education of St Clair's 9th thru 12th grade students at Pottsville for a 10-year period starting with the 2015/2016 school year. St Clair agrees to pay Pottsville an annual tuition payment of \$1,600,000 in 10 equal monthly payments. The agreement provides for several potential adjustments to this amount including a provision for any changes in regard to the formula used by the Commonwealth of Pennsylvania for the Basic Education Subsidy and/or the Special Education Subsidy, and a provision for payment by St Clair for special education costs that exceed \$25,000 for any St Clair student. If a merger between both Districts is not reached prior to the end of this agreement, and if notification of this fact is given by either district two years prior to the end of the agreement, both parties agree to negotiate in good faith to extend this agreement. If such notification is not given by either district at least two years prior to the end of the agreement, the agreement will continue until a two-year notification is given by either district.

Total tuition paid to the District for the year ended June 30, 2020 was \$1,600,000.

NOTE 7 - BUDGETARY INFORMATION:

No budget versus actual comparison for the Capital Projects/Reserve Funds have been displayed in the accompanying financial statements as no budget is required nor was adopted for these funds.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - INTERFUND ACTIVITY:

A summary of net interfund accounts receivable (payable), all which are considered current and relate to state subsidy transfers, at June 30, 2020 is as follows:

Fund	Receivable (Payable)
General Fund	\$ 2,951
Cafeteria Fund	\$ (2,951)

NOTE 9 - GASB STATEMENT NO. 54:

On June 15, 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent. Established classifications are as follows:

Nonexpendable – Amounts that cannot be spend because they are either in a non-spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

Committed – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district’s highest level of decision-making authority).

Assigned – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

Unassigned – Residual amounts available for any purpose not contained in other classifications.

The District assigned fund balance is fund balance reporting occurring by the School Board Administration Authority, under the direction of the Business Manager.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 - GASB STATEMENT NO. 54 – continued

ORDER OF FUND BALANCE SPENDING POLICY

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, non-spendable fund balances are determined. Then, restricted fund balances for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the non-general fund.

BALANCE SHEET - GOVERNMENTAL FUNDS				
JUNE 30, 2020				
	<u>General</u>	<u>Capital Projects</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
EQUITY				
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for Capital	0	0	612,947	612,947
Assigned	0	0	0	0
Committed	0	0	0	0
Unassigned	<u>(302,300)</u>	<u>0</u>	<u>0</u>	<u>(302,300)</u>
TOTAL FUND BALANCE (DEFICIT)	\$ <u>(302,300)</u>	\$ <u>0</u>	\$ <u>612,947</u>	\$ <u>310,647</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 10 - RELATED ORGANIZATIONS:

On August 19, 2015, the District revised its policy in regard to Booster Clubs. Effective with this revision, the District High School Athletic Office will administer all financial deposits and disbursements for all Booster clubs in a manner similar to the procedures utilized for District student activity accounts. Each booster club was required to close their individual bank accounts and submit the funds to the District no later than September 30, 2015. An individual "account" was established for each Booster Club in order to segregate each Club's activity and available funds. The Booster Club accounts are reflected in the Districts' financial statement as part of the Fiduciary Activity Funds.

NOTE 11 - CONTINGENCY – SHAMOKIN AREA SCHOOL DISTRICT:

Occasionally, there are students attributable to the District that are attending Northwestern Academy (NWA), which is located in the Shamokin Area School District (SASD). The District is responsible for paying tuition invoiced by SASD for students who attended NWA during the applicable year. In prior years the SASD had invoiced for both tuition and rental payments for the NWA. However, the District believed that the assessing of amounts for rental payments is not an appropriate expense. This position has been taken by the majority of the School Districts that have students at NWA. NWA and SASD have been involved in dialogue with the PA Department of Education (PDE) in an effort to determine the allowability of this rental charge, but have not come to an agreement. The District has estimated that its potential exposure for this rental liability if upheld is approximately \$66,011. This has not been accrued as the ultimate outcome of PDE's decision is unknown and presently payment is uncertain. During the current year the District did not receive any correspondence from either PDE or the SASD in regard to a final determination of this issue.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 – OTHER DISCLOSURE – GILLINGHAM CHARTER SCHOOL CHARTER RENEWAL:

Pursuant to the Charter School Law (CSL), 24 Pa. C.S.A. 17-1701-A, et seq., the Board of Education of the School District of Pottsville (“School District”) granted a charter to Gillingham Charter School (“Gillingham” or “Charter School”) to operate a charter school from July 1, 2011 until June 30, 2016.

In 2015, the Charter School applied for renewal of the Charter for an additional five-year term and by Resolution dated December 2, 2015, the School District Board of School Directors notified Gillingham Charter School that the Charter School’s Charter not be renewed.

In compliance with Section 1729-A of the Charter School Law, the Board of Directors of the Pottsville Area School District issued a notice of non-renewal by Resolution dated December 2, 2015 setting forth the reasons why the Charter School’s Charter should not be renewed, scheduling a hearing in this matter and authorizing the appointment of a hearing officer to conduct a hearing.

A hearing officer was appointed and held public hearings on April 18, 19, 20, 21, 25, 26, 2016 and May 3, 4, 12, 19, 23, 2016, during which testimony and exhibits were received regarding the recommended non-renewal. A 30-day public comment period was provided following the conclusion of the hearings. Pursuant to the Charter School Law, the Charter School was permitted to remain in operation beyond July 6, 2016, pending the outcome of those proceedings.

On June 28, 2016 the hearing officer submitted a report to the School District’s administration, including Findings of Fact, Conclusions of Law and a proposed adjudication recommending revocation and non-renewal of the Charter. The School District reviewed the Charter School’s request for a renewal, all of the testimony and exhibits admitted during the hearing, the hearing officer’s report, including its findings of fact and conclusions of law, the submissions by all interested counsel, and all public comments received.

The Board of Directors of the Pottsville Area School District denied the Charter School’s request on July 6, 2016 and adopted the hearing officer’s report, its Findings of Fact and Conclusions of Law, as the reasons for this decision.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 – OTHER DISCLOSURE – GILLINGHAM CHARTER SCHOOL CHARTER RENEWAL – continued

The Charter School appealed this decision to the State Charter School Appeal Board (“Appeal Board”), pursuant to the requirement contained in Section 1729-A (f) of the Charter School Law, the Charter shall remain in effect and the Charter School was permitted to remain open pending the conclusion of its appeal before the Appeal Board.

The hearing before the Charter Appeals Board (CAB) took place on July 25, 2017. On September 19, 2017 CAB voted 5-0 to grant Gillingham Charter School’s appeal to award the school another 5-year charter.

On October 25, 2017, the District School Board of Directors was directed to grant the renewal of and sign a Charter for the Gillingham Charter School. On the advice of legal counsel on November 16, 2017 the District indicated it would not be issuing the charter for Gillingham as requested that the CAB issue a standard charter. On December 21, 2017 the District received a letter from the CAB stating that the PA Department of Education Secretary Pedro A. Riveria signed the charter effective commencing July 1, 2017 thru June 30, 2022.

NOTE 13 – DEFICIT EQUITY:

At June 30, 2020, the District’s General Fund has an unrestricted deficit in the amount of (\$302,300), and the District’s Cafeteria Fund has an unrestricted deficit in the amount of (\$2,717,350).

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT:

PLAN DESCRIPTION

The Pottsville Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

FUNDING POLICY

The contribution requirements of plan members and the District are established and may be amended by the School Board, subject to applicable labor contracts. Plan members are not required to contribute; however, for the member and the spouse, coverage ceases upon the later of the exhaustion of accumulated sick days at retirement used to obtain health coverage, the exhaustion of an HCA based on accumulated sick days at retirement, or Medicare eligibility. If a retiree runs out of unused sick days prior to reaching Medicare eligibility, they may continue on the District plan by paying 100% of premiums.

For 2020, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$205,097. for 2020. These costs are recognized as an expense when claims or premiums are paid.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – DISTRICT-continued

Plan Membership

Inactive plan member or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	327
	<u>351</u>

Components of the net OPEB liability

Total OPEB liability	\$ 2,445,739
Plan fiduciary net position	0
Net OPEB Liability	\$ <u>2,445,739</u>

Plan fiduciary net position of the total OPEB liability 0.00%

Sensitivity of the Net OPEB liability to changes in the discount rate

	1.00% Decrease <u>2.36%</u>	Current Discount Rate <u>3.36%</u>	1.00% Increase <u>4.36%</u>
Net OPEB liability (asset)	\$ 2,612,262	\$ 2,445,739	\$ 2,289,960

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

	1% Decrease 6.00% decreasing to 5.00% <u> </u>	Current Healthcare cost Trend Rate 6.00% <u> </u>	1.00% Increase 6.00% decreasing to 7.00% <u> </u>
Net OPEB liability (asset)	\$ 2,198,602	\$ 2,445,739	\$ 2,743,542

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - DISTRICT-continued

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2018 actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 10% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 20 years.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$120,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Totals	\$ <u>191,226</u>	\$ <u>733,172</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - DISTRICT-continued

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

Year Ending June 30,	Estimated Amount
2021	\$ (66,978)
2022	(66,978)
2023	(66,978)
2024	(66,978)
2025	(66,978)
Thereafter	(207,056)
Total Deferred Outflows/ Inflows of Resources	\$ (541,946)

NOTE 15 - PRIOR PERIOD ADJUSTMENTS:

CORRECTION OF AN ERROR

During the year ended June 30, 2020 the District determined it had not allocated the Districts' Pension and OPEB assets and liabilities between its Governmental and Business-Type Funds as required by GASB 68 in its Entity-Wide Statement of Net Position (Deficit). In addition, the District had not recorded the District OPEB Plan's deferred outflows of \$205,097 and deferred inflows of (\$738,109) for a net deferred adjustment of (\$533,012) as of June 30, 2019. During the current year, the District, (with which we concur) recorded the necessary adjustments which decreased its beginning Governmental Activities Unrestricted deficit by \$2,320,334 and increased its beginning Business-Type Activities Unrestricted deficit by (\$2,853,346).

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

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

General Information about the Pension Plan

PLAN DESCRIPTION

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

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION - continued

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-3) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION – continued

CONTRIBUTIONS

Member Contributions:

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

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

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

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

Employer Contributions:

The school district's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$5,722,128. for the year ended June 30, 2020.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2020, the District reported a liability of \$58,151,000. for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District proportion was .1243%, which was a decrease of .1271% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$5,722,128. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 320,000	\$ 1,927,000
Changes in Assumptions	556,000	0
Net Difference Between Projected and Actual Investment Earnings	0	167,000
Changes in Proportion	392,000	5,622,000
Difference Between Employer Contributions and Proportionate Share of Total Contributions	0	0
Contributions Subsequent to the Measurement Date	0	0
	<u>\$ 1,268,000</u>	<u>\$ 7,716,000</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued

\$2,894,108. reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2020	\$ (1,975,000)
2021	(3,660,000)
2022	(915,000)
2023	102,000
Total Deferred Outflows/ (Inflows) of Resources	\$ <u>(6,448,000)</u>

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

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

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION - continued

***PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS
OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED
TO PENSIONS – continued***

ACTUARIAL ASSUMPTIONS – continued

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk party	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.00%	0.9%
	100%	

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

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 16 – PENSION - continued

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued

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.

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 position 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	\$ 72,433,000	\$ 58,151,000	\$ 46,057,000

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about PSER's 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.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS)**

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public-School Employees’ Retirement System (PSERS) and additions to/deductions from PSERS’s 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.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM (PSERS) - continued

Pension Plan description

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

Benefits provided

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

Employer Contributions:

The school district’s contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 \$130,000 for the year ended June 30, 2019.

2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported a liability of \$2,644,000. for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2018 to June 30, 2019. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District’s proportion was .1243% percent, which was a decrease of .0028% from its proportion measured as of June 30, 2018.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSERS) - continued**

**2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Inflows of Resources Related to OPEB- continued**

For the year ended June 30, 2020, the District recognized OPEB expense of \$120,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 15,000	\$ 0
Changes in assumptions	88,000	79,000
Net difference between projected and actual investment earnings	4,000	0
Changes in proportion	0	355,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
Total All Funds	<u>\$ 107,000</u>	<u>\$ 434,000</u>

\$56,000. reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Estimated Amount</u>
2020	\$ (73,000)
2021	(73,000)
2022	(74,000)
2023	(74,000)
2024	(34,000)
Thereafter	<u>1,000</u>
Total Deferred Outflows/ (Inflows) of Resources	<u>\$ (327,000)</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES
RETIREMENT SYSTEM (PSERS) - continued**

3. Actuarial Assumptions

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

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

Participation rate:

- Eligible retirees will elect to participate Pre-age 65 at 50%
- Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSRES) - continued**

3. 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 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.

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

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

Discount rate

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

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSRES) – continued**

3. Actuarial Assumptions - continued

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

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

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Trend Rate	1% Increase
System net OPEB liability	\$ 2,643,000	\$ 2,644,000	\$ 2,644,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ 3,012,000	\$ 2,644,000	\$ 2,339,000

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS – PUBLIC SCHOOL EMPLOYEES’
RETIREMENT SYSTEM (PSRES) – continued**

3. Actuarial Assumptions - continued

OPEB plan fiduciary net position

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

NOTE 18 – \$1,000,000 TAX AND REVENUE ANTICIPATION NOTE (TRAN):

The District has a \$1,000,000 TRAN with The Gratz Bank. The original Note was obtained on July 7, 2017 expiring annually on June 30, 2018 and 2019. On June 4, 2019, the TRAN was extended and currently expires on June 30, 2020. The Note is structured as a Line of Credit for drawing purposes. Interest is payable monthly at 5.00%. The TRAN is secured by a first position on the District’s revenues.

NOTE 19 – CORONAVIRUS (COVID-19) PANDEMIC DECLARATION:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020, Pennsylvania Governor Tom Wolfe proclaimed the existence of a disaster emergency throughout the Commonwealth of Pennsylvania. The duration of the business disruption and related financial impact cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs. The extent to which this virus pandemic may impact our operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at the date of this report, including new information that may emerge concerning the severity of the coronavirus and steps taken to contain the coronavirus or treat its impact, among others.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

**NOTE 20 - \$1,000,000 REDEVELOPMENT ASSISTANCE CAPITAL PROGRAM (RACP)
FUNDING AND REQUIRED SUPPORTING FINANCING:**

On August 5, 2019, \$1,000,000 was authorized for release by PA Governor Tom Wolfe from RACP funding for capital projects at Martz Hall and the PASD High School. Subsequently, due to decrease funding approval, only the Martz Hall project will be undertaken. The project is in the preliminary planning stages. The RACP funding requires various applications, budgets and contracts, which are also in the preliminary stages. The RACP funding requires a local match requirement which will be met by the appraised value of the Martz Hall property. The District's intention is to keep the project cost within the \$1,000,000 RACP award and will include repairs to the Martz Hall roof, sidewalks, stair towers, and parking lot. As the District is not an "eligible" recipient, it has partnered with the Pottsville Redevelopment Authority who will serve as the formal "Sponsor" as the conduit for the funding. As a result of District administrative staff changes, the District applied for and received an extension on the date whereby the District must submit its formal application. The revised due date is February 5, 2021.

As part of the RACP program the District must provide a local financing commitment to support the payment of the project expenditures until the project is complete and is audited by the Commonwealth. On November 4, 2020 the District received a commitment from the Mid Penn Bank for a \$1,000,000. Non-revolving Line of Credit. The interest rate is fixed at 2.35% per annum. The term of the Note is 3 years from inception when all accrued interest and principal is payable. The Note is secured by a pledge of the District's full faith, credit, and taxing power.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 21 – DISTRICT-WIDE SOLAR PROJECT:

At their December 10, 2019 meeting, the board of directors authorized entering into a Solar Energy Power Service Agreement with the Pottsville SD Solar Partners LLC subject to a finalized contract between the parties as reviewed by the District's solicitor and deemed satisfactory to the administration. The project consists of placing solar arrays on the roofs of the Elementary and Middle Schools and the Administration building. It is anticipated that the District will generate approximately 79% of its electricity needs. The cost of the project will be incurred by the LLC with the District leasing the system initially for a 5-year period. The required payments are: Year 1, \$187,000; Year 2, \$188,870; Year 3, \$190,759; Year 4, \$192,666; and Year 5, \$194,593. In year 6, the District can purchase the system for \$1,917,429 with anticipated financing from the US Department of Agriculture. The net electric saving to the District in years 1 thru 5 is approximately \$15,500 per year. If the District purchases the system in year six, the annual savings is anticipated to be approximately \$100,000 per year. Total anticipated savings over the 40-year projected useful life period is approximately \$4,192,491. For additional information, the reader should contact the District administration. As of the date of the audit report, the installation, final inspections, and permission to operate the solar arrays at both JSC Elementary and DHH Lengel Middle School/Academic Center have been completed with the final module counts being 2,502 at the elementary school, 987 at the middle school, and 144 at the academic center. The first contract service payment was made under the Power Service Agreement (PSA) beginning on December 1, 2020. Given the limited time the system has been in operation, the actual cost savings from the system are not able to be quantified and will only be accurately quantifiable at the commencement of the first anniversary of the system's operation because of the seasonal nature of the system's performance.

OTHER SUPPLEMENTAL INFORMATION

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unqualified opinion on the financial statements of Pottsville Area School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Pottsville Area School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Pottsville Area School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the Pottsville Area School District that are to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were the Child Nutrition Cluster and were as follows:

Program	CFDA #
National School Lunch Program	10.555
School Breakfast Program	10.553
After School Snacks	10.555
Summer Food Program	10.559
Commodities	10.555

8. The threshold for distinguishing types A and B Programs was \$750,000.
9. Pottsville Area School District was determined not to be a low-risk auditee.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE YEAR ENDED JUNE 30, 2020

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

VIOLATIONS OF LAWS AND REGULATIONS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal Cluster Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2019	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2020	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION												
Passed Through State Department of Education:												
E.S.E.A. Title I - 2019-2020	(I)		84.010	013-200349	\$ 749,311	7-1-19 / 9-30-20	\$ 588,783	\$ 0	\$ 589,527	\$ 589,527	\$ 744	\$ 0
E.S.E.A. Title I - 2018-2019	(I)		84.010	013-190349	763,047	7-1-18 / 9-30-19	152,408	(33,576)	185,984	185,984	0	0
E.S.E.A. Title IIA Improving Teacher Quality - 2017-2018	(I)		84.367	020-180349	122,278	7-1-17 / 9-30-18	0	(1,363)	1,363	1,363	0	0
E.S.E.A. Title IIA Improving Teacher Quality - 2018-2019	(I)		84.367	020-190349	118,228	7-1-18 / 9-30-19	40,932	(552)	41,484	41,484	0	0
E.S.E.A. Title IIA Improving Teacher Quality - 2019-2020	(I)		84.367	020-200349	115,050	7-1-19 / 9-30-20	74,467	0	74,351	74,351	(116)	0
Title IV Student Support and Academic Enrichment - 2019-2020	(I)		84.424	144-200349	57,109	7-1-19 / 9-30-20	36,713	0	30,582	30,582	(6,131)	0
Title IV Student Support and Academic Enrichment - 2018-2019	(I)		84.424	144-190349	54,485	7-1-18 / 9-30-19	15,567	(567)	16,134	16,134	0	0
Passed Through Schuykill IU #29:												
IDEA Part B - 2019-2020	(I)	(SE)	84.027	N/A	468,102	7-1-19 / 6-30-20	468,102	0	468,102	468,102	0	0
IDEA Section 619 - 2019-2020	(I)	(SE)	84.173	N/A	15,930	7-1-19 / 6-30-20	15,930	0	15,930	15,930	0	0
21st Century Community Learning Center - 2019/2020 Cohort 10	(I)		84.287	N/A	48,070	7-1-19 / 9-30-20	30,962	0	48,070	48,070	17,108	0
21st Century Community Learning Center - 2018-2019 Cohort 7	(I)		84.287	N/A	52,716	7-1-18 / 9-30-19	22,223	10,098	12,125	12,125	0	0
21st Century Community Learning Center - 2019-2020 Cohort 7	(I)		84.287	N/A	65,405	7-1-19 / 9-30-20	32,857	0	54,798	54,798	21,941	0
TOTAL DEPARTMENT OF EDUCATION					2,629,731		1,478,944	(25,960)	1,538,450	1,538,450	33,546	0
U.S. DEPARTMENT OF THE TREASURY												
Passed Through State Commission on Crime and Delinquency												
Coronavirus Aid, Relief, and Economic Security Act (CARES)												
COVID-19 School Health and Safety Grants - 2020	(I) / (CV)		21.019	2020-CS-01-33741	221,086	3-1-20 / 10-30-20	0	0	4,793	4,793	4,793	0
TOTAL DEPARTMENT OF THE TREASURY					221,086		0	0	4,793	4,793	4,793	0
U.S. GENERAL SERVICES ADMINISTRATION												
Passed Through State Department of General Services:												
Donation of Federal Surplus Property	(I)		39.003	231670512	4,810	7-1-19 / 6-30-20	4,810	0	4,810	4,810	0	0
TOTAL GENERAL SERVICES ADMINISTRATION					4,810		4,810	0	4,810	4,810	0	0
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES												
Passed Through State Department of Welfare:												
Medical Assistance - Access Administration - 2018/2019	(I)		93.778	NONE	27,259	7-1-18 / 6-30-19	14,016	14,016	0	0	0	0
Medical Assistance - Access Administration - 2019/2020	(I)		93.778	NONE	25,254	7-1-19 / 6-30-20	11,099	0	25,254	25,254	14,155	0
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES					52,513		25,115	14,016	25,254	25,254	14,155	0
U.S. DEPARTMENT OF AGRICULTURE												
Passed Through State Department of Education:												
National School Lunch - 2019-2020	(I)	(CN)	10.555	129-54-610-03	785,254	7-1-19 / 6-30-20	781,352	0	785,254	785,254	3,902	0
National School Lunch - 2019-2020	(S)		N/A	129-54-610-03	37,940	7-1-19 / 6-30-20	37,783	0	37,940	37,940	157	0
National School Lunch - 2018-2019	(I)	(CN)	10.555	129-54-610-03	765,402	7-1-18 / 6-30-19	23,428	23,428	0	0	0	0
National School Lunch - 2018-2019	(S)		N/A	129-54-610-03	40,923	7-1-18 / 6-30-19	1,238	1,238	0	0	0	0
Regular/Severe Need Breakfast - 2018-2019	(I)	(CN)	10.553	129-54-610-03	179,824	7-1-18 / 6-30-19	5,580	5,580	0	0	0	0
Regular/Severe Need Breakfast - 2018-2019	(S)		N/A	129-54-610-03	8,976	7-1-18 / 6-30-19	275	275	0	0	0	0
Regular/Severe Need Breakfast - 2019-2020	(I)	(CN)	10.553	129-54-610-03	283,082	7-1-19 / 6-30-20	280,579	0	283,032	283,032	2,453	0
Regular/Severe Need Breakfast - 2019-2020	(S)		N/A	129-54-610-03	13,223	7-1-19 / 6-30-20	13,111	0	13,223	13,223	112	0
After School Snacks 2019-2020	(I)	(CN)	10.555	129-54-610-03	4,531	7-1-19 / 6-30-20	4,531	0	4,531	4,531	0	0
Summer Food Program 2019-2020	(I)	(CN)	10.559	129-54-610-03	43,343	7-1-19 / 6-30-20	0	0	43,343	43,343	43,343	0
Passed Through State Department of Agriculture:												
National School Lunch (Commodities)	(I)	(CN)	10.555	2-07-54-610	127,030	7-1-19 / 6-30-20 (A)	127,030 (B)	(32,624)	120,479 (C)	120,479 (D)	(39,175)	0
TOTAL DEPARTMENT OF AGRICULTURE					2,289,528		1,274,907	(2,103)	1,287,802	1,287,802	10,792	0
SUB-TOTAL					5,197,668		2,783,776	(14,047)	2,861,109	2,861,109	63,286	0
STATE AWARD EXPENDITURES					101,062		52,407	1,513	51,163	51,163	269	0
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 5,096,606		\$ 2,731,369	\$ (15,560)	\$ 2,809,946	\$ 2,809,946	\$ 63,017	\$ 0

Source Code Legend:

(D) Indicates direct federal financial assistance funding.
(I) Indicates indirect federal financial assistance funding.
(S) Indicates State matching funding.
(CV) Indicates Coronavirus Funding

Other Code Legend:

(A) Indicates value of USDA commodities received in current year.
(B) Indicates beginning inventory value of USDA commodities.
(C) Indicates value of USDA commodities used in current year.
(D) Indicates ending inventory value of USDA commodities.

Federal Cluster Code Legend:

(SE) Indicates Special Education Cluster
(CN) Indicates Child Nutrition Cluster

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 2 - COMMODITIES:

The beginning and ending deferred income figures listed represent the beginning and ending commodities inventories in the Cafeteria Fund. These commodities are received through the State from the U.S. Department of Agriculture. The commodities are valued at amounts assigned to the various items by the U.S. Department of Agriculture when the commodities are offered.

NOTE 3 – INDIRECT COSTS:

The District did not charge any indirect costs to any of the federal grants and programs during this fiscal year. Consequently, the District did not use the 10% de minimis cost rate.

NOTE 4 - CLUSTER PROGRAMS:

The following CFDA's have been deemed a cluster of programs by the Office of Management and Budget and, therefore, are treated as one program in determining the major programs to be audited.

Child Nutrition Cluster		Special Education Cluster (IDEA)	
CFDA #	Expenditures	CFDA #	Expenditures
10.553	\$ 283,032	84.027	\$ 468,102
10.555	910,264	84.173	15,930
10.559	43,343	Total	\$ 484,032
Total	\$ 1,236,639		

NOTE 5 - MEDICAL ASSISTANCE:

Access reimbursements received under CFDA #93.778 Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.

**REQUIRED
SUPPLEMENTAL INFORMATION**

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	0.1243%	0.1271%	0.1418%	0.1484%	0.1439%	0.1433%	0.1381%
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ 58,151,000	\$ 61,014,000	\$ 70,033,000	\$ 73,542,000	\$ 62,330,000	\$ 56,719,000	\$ 56,533,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 17,144,138	\$ 17,118,499	\$ 18,879,859	\$ 19,215,689	\$ 18,520,530	\$ 18,285,304	\$ 17,727,914
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	339.19%	356.42%	370.94%	382.72%	336.55%	310.19%	318.89%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	55.56%	54.00%	51.84%	50.14%	54.40%	52.24%	54.49%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 6,237,000	\$ 5,994,000	\$ 5,424,000	\$ 4,721,000	\$ 3,716,000	\$ 3,683,433
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>(6,237,000)</u>	<u>(5,994,000)</u>	<u>(5,424,000)</u>	<u>(4,721,000)</u>	<u>(3,716,000)</u>	<u>(3,683,433)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 17,144,138	\$ 17,118,499	\$ 18,879,859	\$ 19,215,689	\$ 18,520,530	\$ 18,285,304
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	36.38%	35.01%	28.73%	24.57%	20.06%	20.14%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB- PSERS LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
DISTRICT'S PROPORTION OF THE NET OPEB- PSERS LIABILITY (ASSET)				
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET)	\$ 2,644,000	\$ 2,650,000	\$ 2,889,000	\$ 3,197,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 17,144,138	\$ 17,118,499	\$ 18,879,859	\$ 19,215,689
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB - PSERS LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	15.4222%	15.4803%	15.3020%	16.6374%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB - PSERS LIABILITY	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB PSERS
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2019	June 30, 2018	June 30, 2017
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ <u>120,000</u>	\$ <u>123,000</u>	\$ <u>123,000</u>
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>120,000</u>	<u>123,000</u>	<u>123,000</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 17,144,138	\$ 17,118,499	\$ 18,879,859
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	0.70%	0.72%	0.65%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE DISTRICT NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)				
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	\$ 2,445,739	\$ 2,479,127	\$ 4,982,869	\$ 5,000,000
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 15,256,433	\$ 15,256,433	\$ 17,181,388	\$ 17,181,388
DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	16.03%	16.25%	29.00%	29.10%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	N/A	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2019	June 30, 2018	June 30, 2017
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ <u>N/A</u>	\$ <u>N/A</u>	\$ <u>N/A</u>
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ 15,256,433	\$ 15,256,433	\$ 17,181,388
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	N/A	N/A	N/A

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.