



TULPEHOCKEN AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Tulpehocken Area School District
Bethel, 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 Tulpehocken Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and the pension and other postemployment benefits information on pages 71 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
February 10, 2022

Succeed With Confidence

TULPEHOCKEN AREA SCHOOL DISTRICT

27 Rehrersburg Road, Bethel, PA 19507

Phone: 717-933-4611

Fax: 717-933-9724

Office of the Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited

The Tulpehocken Area School District's (the "District") management discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Highlights

The District's net position increased by \$4,129,219 during the 2020-2021 fiscal year. The governmental net position increased by \$4,164,808 and the business-type (food service) net position decreased by \$35,589. The total net pension liability that was recognized for the first time in the 2014-2015 fiscal year is currently \$47,565,000 and is the reason the District's total net position stands at \$(11,730,347).

During the year, the District exceeded budgeted revenues by \$2,942,532 mainly due to continued real estate growth. Expenditures were less than the budgeted amounts by \$684,047 due to general expense control practices. The District transferred \$3,830,000 to the Capital Reserve fund to replenish reserves for deferred maintenance projects, emergency repairs, and to prepare for the renovation of the Junior Senior High School. The capital projects fund balance was \$5,283,840 at June 30, 2020 and at June 30, 2021 it stands at \$7,404,134 an increase of \$2,120,294.

Healthcare and pension costs continue to be the most important expenses in future budgets. The District has committed \$500,000 to help defray these future benefit increases, \$950,000 for athletic facility deferred maintenance costs, \$200,000 for unanticipated special education costs, \$370,000 for curriculum expenses that are anticipated to large one-time cost within the next two years.

The Berks 78 Business Park continues to flourish with warehousing facilities for PetSmart Inc., Dollar General Corp., and Samsung providing the District with a steady increase of tax revenue of approximately \$250,000 annually. The District approved a tax incentive plan for these properties offering tax abatement incrementally over a ten-year period. The additional annual tax revenue anticipated at the end of the ten-year period is nearly \$2 million. Warehouse construction continues along the I-78 corridor in the District with no tax incentives. Eight other warehouses were constructed providing over \$5 million in additional revenue between 2015 and 2021 and is the main reason why the District's assessed value increased by over \$70 million in the 2020-2021 fiscal year allowing for a real estate millage decrease for the 5th year in a row.

Using this Annual Report

In light of the fact that this is a very different presentation of the District's previous general-purpose financial statements, the primary focus of local government's financial statements in the past (summarized fund type information) has been discarded. The new (and clearly preferable) focus is on both the District as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the District's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which add to a total for the primary government. The focus of the Statement of Net Position (the “unrestricted net position”) is designed to be similar to a bottom line for the District and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including both governmental and business-type), which are provided by the government’s general tax and other revenues. This is intended to summarize and simplify the user’s analysis of cost of various governmental services and/or subsidy to various business-type activities and/or component units.

The governmental activities reflect the District’s basic service, including instruction, instructional support, administration, and transportation. Property taxes, earned income tax, and state subsidies finance the majority of these services. The business-type activities reflect private sector type operations (Food service), where the fee for service typically covers all or most of the cost of operation including depreciation.

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds rather than fund types. The governmental major fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

The fund financial statements also allow the government to address its fiduciary (or trust funds) summarized by type (pension, investment, and private-purpose trusts). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the Food Service column on the proprietary fund financial statements is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the governmental activities column (in the government-wide statements). Adjustment between the business-type presentations (government-wide and major fund totals) will typically only occur if there is a need to redistribute excess income/loss for the Internal Service Funds to the customers (including business-type activities) and adjustments, if necessary, will be reflected on the bottom of the fund financial statements.

Government-Wide Statement

Statement of Net Position

The following table reflects the condensed Statement of Net Position.

Table 1
Condensed statement of net position
Fiscal years ended June 30, 2020 and 2021

	2020			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 14,037,918	\$ 311,646	\$ 14,349,564	\$ 16,537,076	\$ 308,704	\$ 16,845,780
Capital assets	35,641,605	60,119	35,701,724	35,838,348	61,500	35,899,848
Total assets	49,679,523	371,765	50,051,288	52,375,424	370,204	52,745,628
Deferred outflows of resources	5,851,780	135,094	5,986,874	7,290,403	205,061	7,495,464
Liabilities						
Current and other liabilities	6,344,570	25,292	6,369,862	6,508,077	22,095	6,530,172
Long-term liabilities	61,985,897	872,094	62,857,991	62,268,812	993,711	63,262,523
Total liabilities	68,330,467	897,386	69,227,853	68,776,889	1,015,806	69,792,695
Deferred inflows of resources	2,708,381	48,254	2,756,635	2,144,915	33,829	2,178,744
Net Position						
Net Investment in Capital Assets	20,466,974	60,119	20,527,093	22,885,716	61,500	22,947,216
Restricted	5,324,393	-	5,324,393	7,598,327	-	7,598,327
Unrestricted	(41,298,912)	(498,900)	(41,797,812)	(41,740,020)	(535,870)	(42,275,890)
Total net position	\$ (15,507,545)	\$ (438,781)	\$ (15,946,326)	\$ (11,255,977)	\$ (474,370)	\$ (11,730,347)

Most of the District's net position is invested in capital assets (buildings, land, and equipment) but the majority of the capital assets were financed with debt. The restricted amounts are set aside to fund future purchases or capital projects as planned by the District. See the Statement of Net Position for more detailed information.

Statement of Activities

The following table reflects the revenues and expenses for the current period.

Table 2
Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2020			2021		
	Governmental Activities	Business-type activities	Total	Governmental Activities	Business-type activities	Total
Revenues						
Program revenues						
Charges for services	\$ 57,248	\$ 246,862	\$ 304,110	\$ 50,436	\$ 41,750	\$ 92,186
Operating grants and contributions	5,800,532	463,756	6,264,288	6,574,895	659,093	7,233,988
Capital grants and contributions	492,722	-	492,722	225,862	7,653	233,515
General revenues						
Taxes	22,087,818	-	22,087,818	23,576,431	-	23,576,431
Grants	4,924,375	-	4,924,375	4,975,699	-	4,975,699
Other	262,859	328	263,187	18,191	132	18,323
Total revenues	33,625,554	710,946	34,336,500	35,421,514	708,628	36,130,142
Expenses						
Instruction	18,368,729	-	18,368,729	19,479,500	-	19,479,500
Instructional student support	2,549,293	-	2,549,293	2,579,400	-	2,579,400
Administrative and financial support services	2,917,654	-	2,917,654	3,009,346	-	3,009,346
Operation and maintenance of plant services	2,482,385	-	2,482,385	4,252,302	-	4,252,302
Pupil transportation	1,325,069	-	1,325,069	1,171,882	-	1,171,882
Non-instructional services	446,160	749,485	1,195,645	487,357	744,217	1,231,574
Unallocated Depreciation expense	1,655,331	-	1,655,331	-	-	-
Interest on long-term debt	364,885	-	364,885	276,919	-	276,919
Total expenses	30,109,506	749,485	30,858,991	31,256,706	744,217	32,000,923
Increase in net position	3,516,048	(38,539)	3,477,509	4,164,808	(35,589)	4,129,219
Beginning Net Position (Deficit)	(19,023,593)	(400,242)	(19,423,835)	(15,420,785)	(438,781)	(15,859,566)
Restatement - Implementation of GASBS No. 84	86,760	-	86,760	-	-	-
Ending Net Position (Deficit)	<u>\$ (15,420,785)</u>	<u>\$ (438,781)</u>	<u>\$ (15,859,566)</u>	<u>\$ (11,255,977)</u>	<u>\$ (474,370)</u>	<u>\$ (11,730,347)</u>

Table 3
Net Cost of Governmental Activities
Fiscal Years Ended June 30, 2020 and 2021

	Total Cost of Services		Net Cost of Services	
	2020	2021	2020	2021
Instruction	\$ 18,368,729	\$ 19,479,500	\$ 14,182,332	\$ 14,956,473
Instructional student support	2,549,293	2,579,400	2,223,314	2,256,139
Administrative and financial support services	2,917,654	3,009,346	2,658,502	2,506,596
Operation and maintenance of plant services	2,482,385	4,252,302	2,323,995	3,839,658
Pupil transportation	1,325,069	1,171,882	430,438	396,767
Other	2,466,376	764,276	1,940,423	449,880
Total	<u>\$ 30,109,506</u>	<u>\$ 31,256,706</u>	<u>\$ 23,759,004</u>	<u>\$ 24,405,513</u>

- The above table represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended June 30, 2021, general revenue supported 78% of governmental activities' costs, and program revenue supported 22% of governmental activities' costs.
- **Business-Type Activities** - Business-type activities include food service operations. This program had revenues of \$708,628 and expenses of \$744,217 for fiscal year 2021. Business-type activities receive no support from tax revenues.

The District Funds

Governmental Funds

As of year-end, the governmental funds reported a combined fund balance of \$12,167,906 which is an increase of \$2,228,443 from the prior year. The General Fund experienced a \$73,769 net increase in fund balance. The unassigned portion of the fund balance is \$2,541,107 or 7.1% of budgeted 2021-2022 expenditures. The District has committed \$2,020,000 for future benefit rate increases, special education, curriculum, and athletic facility improvements.

Proprietary Fund

The food service fund reported a decrease in net position of approximately \$36,000 for the second year in a row after seven years in a row with positive cash flow. This was directly a result of the pandemic and the loss of serving days.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are 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's revenue exceeded the budgeted amount by \$2,942,532. The largest variance was in real estate taxes and other taxes such as earned income and real estate transfer taxes which exceeded budget by \$1,263,914 and \$1,453,449 respectively. Federal and state revenue exceeded budgeted amounts by only \$51,388. The District's expenditures fell short of budgeted amounts by \$684,047, largely due to the COVID-19 pandemic. The District anticipates receiving over \$4 million in ESSER grants over the next 3 years and plans on using approximately \$2 million to offset the HVAC costs associated with the high school renovation project to improve air quality.

A schedule showing the District's original and final budget amounts compared with the amounts actually incurred and recognized is provided on page 68 and 69 of this financial report.

Although there was much uncertainty regarding the economic impact of the COVID-19 pandemic, the school board voted to reduce the real estate tax rate by 0.5 mills for the 2021-2022 school year. The continued growth of warehouses along the I-78 corridor in the District provided the District with large increases in assessed values and is expected to continue for a few more years. Over the last ten years, 11 warehouses were constructed in the District adding nearly \$7 million to the District's annual revenue stream. There are 3 more warehouses currently under construction that will provide almost \$1 million in added revenue going forward and 5 more warehouses are in the planning stage. The District is currently adding the increased revenue to the capital reserve fund in anticipation of a nearly \$70 million renovation and addition project at the high school.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District's General Fund had \$35,838,348 invested in a variety of capital assets, which represents a net increase (additions less retirements and depreciation) of nearly \$200,000 from the end of last year. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt Outstanding

As of year-end, the District had \$12,325,000 in debt (bonds) outstanding compared to \$15,135,000 last year. This represents a decrease of \$2,810,000. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

Factors Expected to have an Effect on Future Operations

The District negotiated a collective bargaining agreement with the Tulpehocken Education Association in April 2019 that extends through the 2023-2024 school year.

Future pension and healthcare increases remain the most significant challenge in the long-term budgeting process. Revenue from the Berks 78 Business Park improvements will provide incremental tax revenue of approximately \$250,000 annually for the next 2-3 years and new warehouses recently constructed and others that are being constructed and planned will provide significant increases in the revenue stream for the next few years. The District is moving forward on the renovation of the Tulpehocken Junior Senior High School and is expecting to bid the project in the Spring of 2022. The school board and administration are working together effectively to analyze all expenditures, keeping the interest of the students and taxpayers in the forefront.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Tulpehocken Area School District, 27 Rehrersburg Road, Bethel, PA 19507.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 14,432,706	\$ 271,425	\$ 14,704,131
Restricted cash	32,500	-	32,500
Taxes receivable, net	540,234	-	540,234
Intergovernmental receivables	1,521,974	10,390	1,532,364
Other receivables	1,190	2,373	3,563
Inventories	-	24,516	24,516
Prepaid expenses	8,472	-	8,472
Capital assets not being depreciated	454,301	-	454,301
Capital assets, net of accumulated depreciation	35,384,047	61,500	35,445,547
TOTAL ASSETS	52,375,424	370,204	52,745,628
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	2,102	-	2,102
Deferred outflows of resources for pension	6,918,565	200,526	7,119,091
Deferred outflows of resources for other postemployment benefits	369,736	4,535	374,271
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,290,403	205,061	7,495,464
LIABILITIES			
Accounts payable	604,657	2,450	607,107
Accrued interest	58,269	-	58,269
Payroll accruals and withholdings	3,452,282	-	3,452,282
Unearned revenues	11,537	19,645	31,182
Noncurrent liabilities due within one year	2,381,332	-	2,381,332
Noncurrent liabilities:			
Bonds payable, net	10,634,734	-	10,634,734
Long-term portion of compensated absences	791,804	-	791,804
Net pension liability	46,608,943	956,057	47,565,000
Net other postemployment benefit liabilities	4,233,331	37,654	4,270,985
TOTAL LIABILITIES	68,776,889	1,015,806	69,792,695
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	1,637,260	32,120	1,669,380
Deferred inflows of resources for other postemployment benefits	507,655	1,709	509,364
TOTAL DEFERRED INFLOWS OF RESOURCES	2,144,915	33,829	2,178,744
NET POSITION			
Net investment in capital assets	22,885,716	61,500	22,947,216
Restricted for capital projects	7,404,134	-	7,404,134
Restricted for other purposes	194,193	-	194,193
Unrestricted (deficit)	(41,740,020)	(535,870)	(42,275,890)
TOTAL NET POSITION (DEFICIT)	\$ (11,255,977)	\$ (474,370)	\$ (11,730,347)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 19,479,500	\$ 49,061	\$ 4,467,951	\$ 6,015	\$ (14,956,473)	\$ -	\$ (14,956,473)
Instructional student support	2,579,400	-	323,261	-	(2,256,139)	-	(2,256,139)
Administrative and financial support services	3,009,346	-	502,750	-	(2,506,596)	-	(2,506,596)
Operation and maintenance of plant services	4,252,302	1,375	411,269	-	(3,839,658)	-	(3,839,658)
Pupil transportation	1,171,882	-	775,115	-	(396,767)	-	(396,767)
Student activities	481,081	-	93,999	-	(387,082)	-	(387,082)
Community services	6,276	-	550	-	(5,726)	-	(5,726)
Interest on long-term debt	276,919	-	-	219,847	(57,072)	-	(57,072)
Total Governmental Activities	31,256,706	50,436	6,574,895	225,862	(24,405,513)	-	(24,405,513)
Business-Type Activities							
Food services	744,217	41,750	659,093	7,653	-	(35,721)	(35,721)
Total Primary Government	<u>\$ 32,000,923</u>	<u>\$ 92,186</u>	<u>\$ 7,233,988</u>	<u>\$ 233,515</u>	(24,405,513)	(35,721)	(24,441,234)
General Revenues							
Taxes:							
Property taxes					20,749,578	-	20,749,578
Public utility realty, earned income, and mercantile tax					2,826,853	-	2,826,853
Grants, subsidies, and contributions not restricted for a specific program					4,975,699	-	4,975,699
Investment earnings					2,352	132	2,484
Miscellaneous income					15,839	-	15,839
Total General Revenues					28,570,321	132	28,570,453
Change in Net Position					4,164,808	(35,589)	4,129,219
Net Position (Deficit) - Beginning of Year, Restated					(15,420,785)	(438,781)	(15,859,566)
Net Position (Deficit) - End of Year					<u>\$ (11,255,977)</u>	<u>\$ (474,370)</u>	<u>\$ (11,730,347)</u>

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2021

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 8,488,593	\$ 5,781,837	\$ 162,276	\$ 14,432,706
Restricted cash	32,500	-	-	32,500
Taxes receivable	546,371	-	-	546,371
Interfund receivables	-	1,800,000	-	1,800,000
Intergovernmental receivables	1,521,974	-	-	1,521,974
Other receivables	1,190	-	-	1,190
Prepaid expenditures	8,472	-	-	8,472
TOTAL ASSETS	\$ 10,599,100	\$ 7,581,837	\$ 162,276	\$ 18,343,213
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payables	\$ 1,800,000	\$ -	\$ -	\$ 1,800,000
Accounts payable	426,371	177,703	583	604,657
Accrued salaries and benefits	2,092,255	-	-	2,092,255
Payroll deductions and withholdings	1,360,027	-	-	1,360,027
Unearned revenues	11,537	-	-	11,537
TOTAL LIABILITIES	5,690,190	177,703	583	5,868,476
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	306,831	-	-	306,831
FUND BALANCES				
Nonspendable	8,472	-	-	8,472
Restricted	32,500	7,404,134	161,693	7,598,327
Committed for:				
Athletic facility improvements	950,000	-	-	950,000
Employee benefit increases	500,000	-	-	500,000
Special education program	200,000	-	-	200,000
Curriculum	370,000	-	-	370,000
Unassigned	2,541,107	-	-	2,541,107
TOTAL FUND BALANCES	4,602,079	7,404,134	161,693	12,167,906
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 10,599,100	\$ 7,581,837	\$ 162,276	\$ 18,343,213

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

June 30, 2021

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 12,167,906
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$62,652,211 and the accumulated depreciation is \$26,813,863.	35,838,348
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.	300,694
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (12,325,000)	
Unamortized bond premium	(629,734)	
Deferred charge on bond refunding	2,102	
Accrued interest on bonds	(58,269)	
Compensated absences	(853,136)	(13,864,037)

The net pension liability and related deferred outflows and inflows of resources of pensions are not reflected on the fund financial statements.	(41,327,638)
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The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.	(4,371,250)
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TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$ (11,255,977)
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TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2021

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 24,183,794	\$ 578	\$ 95,743	\$ 24,280,115
State sources	10,240,869	-	-	10,240,869
Federal sources	952,024	-	-	952,024
TOTAL REVENUES	35,376,687	578	95,743	35,473,008
EXPENDITURES				
Current:				
Instructional services	18,903,642	-	9,610	18,913,252
Support services	9,526,929	161,962	153,674	9,842,565
Operation of noninstructional services	421,593	-	51,753	473,346
Capital outlay	-	1,518,322	-	1,518,322
Debt service:				
Principal	2,360,000	-	-	2,360,000
Interest	277,944	-	82,929	360,873
TOTAL EXPENDITURES	31,490,108	1,680,284	297,966	33,468,358
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,886,579	(1,679,706)	(202,223)	2,004,650
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	9,340,000	9,340,000
Premium on issuance of refunding bonds	-	-	659,562	659,562
Insurance recoveries	14,231	-	-	14,231
Transfers in	2,959	3,800,000	30,000	3,832,959
Current refunding debt service - principal	-	-	(9,790,000)	(9,790,000)
Transfers out	(3,830,000)	-	(2,959)	(3,832,959)
TOTAL OTHER FINANCING SOURCES (USES)	(3,812,810)	3,800,000	236,603	223,793
NET CHANGE IN FUND BALANCES	73,769	2,120,294	34,380	2,228,443
FUND BALANCES - BEGINNING OF YEAR, RESTATED	4,528,310	5,283,840	127,313	9,939,463
FUND BALANCES - END OF YEAR	\$ 4,602,079	\$ 7,404,134	\$ 161,693	\$ 12,167,906

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2021

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,228,443**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 1,858,953	
Less: depreciation expense	(1,645,952)	
Less: disposal of capital assets	<u>(16,258)</u>	196,743

Because some taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (35,236)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of bond principal	2,360,000	
Current refunding debt service - principal	9,790,000	
Issuance of refunding bonds	(9,340,000)	
Premium on issuance of refunding bonds	(659,562)	
Amortization of bond discount	(349)	
Amortization of bond premium	58,680	
Amortization of deferred charge on bond refunding	<u>13,230</u>	2,221,999

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. 12,393

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	(56,012)	
Net pension liability and related deferred outflows and inflows	(252,200)	
Net OPEB liability and related deferred outflows and inflows	<u>(151,322)</u>	<u>(459,534)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ 4,164,808**

TULPEHOCKEN AREA SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2021

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 271,425
Intergovernmental receivables	10,390
Other receivables	2,373
Inventories	24,516
TOTAL CURRENT ASSETS	308,704
NONCURRENT ASSETS	
Furniture and equipment, net	61,500
TOTAL ASSETS	370,204
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	200,526
Deferred outflows of resources for other postemployment benefits	4,535
TOTAL DEFERRED OUTFLOWS OF RESOURCES	205,061
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	2,450
Unearned revenues	19,645
TOTAL CURRENT LIABILITIES	22,095
NONCURRENT LIABILITIES	
Net pension liability	956,057
Net other postemployment benefit liabilities	37,654
TOTAL NONCURRENT LIABILITIES	993,711
TOTAL LIABILITIES	1,015,806
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	32,120
Deferred inflows of resources for other postemployment benefits	1,709
TOTAL DEFERRED INFLOWS OF RESOURCES	33,829
NET POSITION (DEFICIT)	
Investment in capital assets	61,500
Unrestricted (deficit)	(535,870)
TOTAL NET POSITION (DEFICIT)	\$ (474,370)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2021

	<u>Enterprise Fund Food Service</u>
OPERATING REVENUES	
Food service revenue	\$ 41,750
OPERATING EXPENSES	
Salaries	233,595
Employee benefits	143,766
Pension and OPEB valuation adjustments	37,225
Supplies	311,567
Depreciation	8,268
Other operating expenses	<u>9,796</u>
TOTAL OPERATING EXPENSES	<u>744,217</u>
OPERATING LOSS	(702,467)
NONOPERATING REVENUES	
Earnings on investments	132
State sources	67,596
Federal sources	<u>591,497</u>
TOTAL NONOPERATING REVENUES	<u>659,225</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(43,242)
CAPITAL CONTRIBUTIONS	<u>7,653</u>
CHANGE IN NET POSITION	(35,589)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	<u>(438,781)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ (474,370)</u></u>

TULPEHOCKEN AREA SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

Year Ended June 30, 2021

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from users	\$ 34,102
Payments to employees for services	(377,361)
Payments to suppliers for goods and services	(219,616)
Payments for other operating expenses	<u>(9,796)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(572,671)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	67,556
Federal sources	<u>509,573</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	577,129
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of furniture and equipment	(1,996)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>132</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,594
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>268,831</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 271,425</u></u>

TULPEHOCKEN AREA SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND**

Year Ended June 30, 2021

	<u>Enterprise Fund Food Service</u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating loss	\$ (702,467)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	8,268
Donated commodities used	79,163
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Other receivables	(2,158)
Inventories	10,495
Deferred outflows of resources for pension	(69,558)
Deferred outflows of resources for other postemployment benefits	(409)
Accounts payable	2,293
Unearned revenues	(5,490)
Net pension liability	120,712
Net other postemployment benefit liabilities	905
Deferred inflows of resources for pension	(14,069)
Deferred inflows of resources for other postemployment benefits	(356)
	<u>129,796</u>
Total Adjustments	
	<u>129,796</u>
NET CASH USED FOR OPERATING ACTIVITIES	\$ (572,671)

SUPPLEMENTAL DISCLOSURE OF NONCASH

CAPITAL FINANCING ACTIVITIES

Furniture and equipment transferred from governmental activities	\$ 7,653
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NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$79,163 of commodities from the Department of Agriculture.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Tulpehocken Area School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District tax base consists of the Borough of Bernville and the Townships of Bethel, Jefferson, Penn, and Tulpehocken.

The Tulpehocken Area School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of 6 and 21 years, who may attend.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tulpehocken Area School District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the District has determined it has no component units.

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

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

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

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

B. Basis of Presentation - Government-Wide Financial Statements

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

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

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

C. Basis of Presentation - Fund Financial Statements

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

The District Reports the Following Major Governmental Funds:

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

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

The District has the Following Nonmajor Governmental Funds:

Special Revenue Funds

Donor Restricted Fund: This fund is established to account for receipts that are received from sources to be used for specific purposes.

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Debt Service Fund: This fund is established to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

The District has the Following Major Enterprise Fund:

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

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

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

D. Measurement Focus and Basis of Accounting

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

Board Resolution Option

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

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. Cash and Cash Equivalents

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

2. Investments

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

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

3. Interfund Transactions

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

4. Inventories and Prepaid Items

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

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

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2021, consist of the following:

Purchased food	\$ 3,043
Supplies	6,923
Donated commodities	<u>14,550</u>
	<u>\$ 24,516</u>

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

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

5. Capital Assets, Depreciation, and Amortization

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

The District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Building improvements	15 - 25
Site improvements	15 - 20
Furniture and equipment	3 - 20

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2021.

7. Unearned Revenues

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

8. Compensated Absences

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

9. Long-Term Obligations

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Pension

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

For the purpose of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the PSERS plan, 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Postemployment Benefits (OPEB)

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

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the PSERS plan, and additions to/deductions from PSERS'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.

District OPEB Plan

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources

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

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

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

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Net Position

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

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

14. Fund Balance Policies and Flow Assumptions

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

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Fund Balance Policies and Flow Assumptions - continued

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, the District's policy places no restrictions on the order of the unrestricted fund balances used. The order of the unrestricted fund balances used for disbursements is at the discretion of the business manager.

G. Use of Estimates

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

H. Adoption of Accounting Standard

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

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

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2020 in governmental activities for \$86,760 to account for the net position of the student activities and scholarships funds as of June 30, 2020.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual provisions

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

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)

For the year ended June 30, 2021, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, created a deficiency in net position as of June 30, 2021:

	<u>Food Service Fund</u>
Net position before effects of GASB statements noted below	\$ 348,109
Cumulative effect of GASB statement Nos. 68 and 71	(787,651)
Cumulative effect of GASB statement No. 75	<u>(34,828)</u>
Ending net position (deficit)	<u><u>\$ (474,370)</u></u>

The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement System (PSERS) at the statutory rate and through payment of future benefit expenses.

NOTE 3 - CASH AND INVESTMENTS

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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

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

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

The breakdown of total cash and investments at June 30, 2021, is as follows:

Petty cash	\$ 150
Deposits	598,782
Certificate of deposit	4,166
Pooled cash and investments	<u>14,133,533</u>
	<u>\$ 14,736,631</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does have a policy for custodial credit risk on deposits. At June 30, 2021, the carrying amount of the District's deposits was \$602,948 and the bank balance was \$565,501. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$315,501 was exposed to custodial credit risk but was covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly. Included in investments is a certificate of deposit (CD) that has an original maturity date greater than three months. The CD is considered a deposit for purposes of this disclosure and included as deposits in the custodial credit risk disclosure above. The District has a CD outstanding totaling \$4,166.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

As of June 30, 2021, the District had the following investments:

	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):		
MAX account balance	\$ 14,517,913	\$ 14,517,913
Less: reconciling items		<u>(384,380)</u>
Total pooled cash		<u><u>\$ 14,133,533</u></u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments which include \$14,517,913 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

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

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

As of June 30, 2021, the entire PSDLAF book balance of \$14,133,533 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the District does not have any investments subject to this risk.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The District has an investment policy that limits its investment choices to certain credit ratings. As of June 30, 2021, the District's investments were rated as follows:

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

Concentration of Credit Risk

The District does have a policy that limits the amount they may invest in any one issue. All of the District's investments are issued or guaranteed by the U.S. Government and investments in mutual pools and excluded from this risk.

Custodial Credit Risk

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

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$785,921,800. In accordance with Act 1 of 2006, the District received \$644,602 in property tax reduction funds for the 2020/2021 fiscal year. The District's tax rate for the year ended June 30, 2021, was 26.75 mills (\$26.75 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for the year ended June 30, 2021 was as follows:

July 1	Levy date
July 1 - September 30	2% discount period
October 1 - January 14	Face payment period
January 15	Lien date - All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

For the year ended June 30, 2021, the board of school directors elected to extend the discount and face period for real estate taxes and eliminate the penalty period in response to the COVID-19 pandemic.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

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

The balances at June 30, 2021, were as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate	\$ 385,845	\$ 6,137	\$ 379,708	\$ 79,015	\$ 306,831
Earned income	117,586	-	117,586	117,586	-
Transfer tax	42,940	-	42,940	42,940	-
	<u>\$ 546,371</u>	<u>\$ 6,137</u>	<u>\$ 540,234</u>	<u>\$ 239,541</u>	<u>\$ 306,831</u>

NOTE 5 - TAX ABATEMENTS

The District negotiates property tax abatement agreements on an individual basis. The District has one Local Economic Revitalization Tax Assistance Act (LERTA) agreement as of June 30, 2021. The LERTA program authorized local taxing authorities to exempt property taxes of new construction in deteriorated areas of economically depressed communities and improvements to certain deteriorated individual, commercial, and other business property. The LERTA was negotiated in accordance with Pennsylvania Assembly Act No. 76 of 1977, as amended, and exempts from real property taxation the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within the Township of Bethel's designated deteriorated area. Any property owner undertaking improvements within a deteriorated area may apply and receive from the District an exemption from School District real property taxes due to the increased or additional assessed valuation attributable to those improvements.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 - TAX ABATEMENTS - CONTINUED

The exemption is limited to a period of 10 years using the following schedule:

Year	% of Eligible Assessment Abated
1	100%
2	90%
3	80%
4	70%
5	60%
6	50%
7	40%
8	30%
9	20%
10	10%

As of June 30, 2021, the District has tax abatement agreements with three entities under the LERTA program. The purpose of the abatement was to enhance the economic use of the tax parcel and create other positive impacts on the business prosperity and economic welfare of the District, such as business expansion, economic development, and stimulated employment. The abatements may be granted to businesses completing property alterations or new construction within the designated deteriorated area. Additionally, a business must create at least one hundred jobs or spend at least \$10 million for the improvement to be eligible for the program. For the year ended June 30, 2021, the foregone real estate tax revenue as a result of the LERTA tax abatement was \$765,264.

The District has not made any commitments as part of the agreement other than to reduce taxes.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2021:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,800,000
Capital Projects Fund	<u>1,800,000</u>	<u>-</u>
	<u><u>\$ 1,800,000</u></u>	<u><u>\$ 1,800,000</u></u>

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

Interfund transfers are summarized as follows at June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,959	\$ 3,830,000
Capital Projects	3,800,000	-
Nonmajor Funds	<u>30,000</u>	<u>2,959</u>
	<u><u>\$ 3,832,959</u></u>	<u><u>\$ 3,832,959</u></u>

Transfers were made for the District's cash contribution towards debt refinancing, to use sinking fund cash to pay debt service, and to reserve for future capital needs.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 7 - INTERGOVERNMENTAL RECEIVABLES

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

<u>Name of Governmental Unit</u>	<u>General Fund</u>	<u>Food Service</u>
Pennsylvania Department of Education:		
Retirement	\$ 892,324	\$ -
Social Security	189,231	-
Migratory Children	80	-
School Safety Grant	2,433	-
School Lunch & Breakfast Programs	-	347
Berks County Intermediate Unit:		
Special Education - Grants to states	285,386	-
Special Education - Preschool grants	2,415	-
Other local educational agencies	46,552	-
Federal Subsidies:		
Title I - Grants to Local Educational Agencies	15,170	-
Supporting Effective Instruction State Grant	211	-
Student Support and Academic Enrichment	14,592	-
COVID-19 - Elementary & Secondary School Emergency Relief	70,942	-
Medical Assistance Program	2,638	-
COVID-19 - National School Lunch Program	-	6,147
COVID-19 - School Breakfast Program	-	3,896
	<u>\$ 1,521,974</u>	<u>\$ 10,390</u>
TOTAL		

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increase	(Reclass) Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 65,136	\$ -	\$ -	\$ 65,136
Construction in progress	56,767	1,516,733	(1,184,335)	389,165
Total not being depreciated	<u>121,903</u>	<u>1,516,733</u>	<u>(1,184,335)</u>	<u>454,301</u>
Capital assets being depreciated:				
Buildings and building improvements	51,356,018	-	1,109,505	52,465,523
Site improvements	4,535,987	-	74,830	4,610,817
Furniture and equipment	5,111,027	342,220	(331,677)	5,121,570
Total being depreciated	<u>61,003,032</u>	<u>342,220</u>	<u>852,658</u>	<u>62,197,910</u>
Less accumulated depreciation for:				
Buildings and building improvements	20,831,774	1,123,085	-	21,954,859
Site improvements	1,287,986	113,112	-	1,401,098
Furniture and equipment	3,363,570	409,755	(315,419)	3,457,906
Total accumulated depreciation	<u>25,483,330</u>	<u>1,645,952</u>	<u>(315,419)</u>	<u>26,813,863</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>35,519,702</u>	<u>(1,303,732)</u>	<u>1,168,077</u>	<u>35,384,047</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 35,641,605</u>	<u>\$ 213,001</u>	<u>\$ (16,258)</u>	<u>\$ 35,838,348</u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 99,792	\$ 1,996	\$ 45,520	\$ 147,308
Less accumulated depreciation for:				
Furniture and equipment	<u>39,673</u>	<u>8,268</u>	<u>37,867</u>	<u>85,808</u>
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 60,119</u>	<u>\$ (6,272)</u>	<u>\$ 7,653</u>	<u>\$ 61,500</u>

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instruction	\$ 192,514
Administration and financial support services	57,804
Operation and maintenance of plant services	1,384,990
Student activities	<u>10,644</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,645,952</u></u>

NOTE 9 - LONG-TERM LIABILITIES

The District issues general obligation bonds to provide resources for major capital improvements. The bonds are issued on a pledge of the full faith and credit of the District as well as their general taxing authority. General obligation bonds outstanding are as follows at June 30, 2021:

General Obligation Bond - Series of 2015:

The District is liable for general obligation bonds dated June 3, 2015, in the original amount of \$5,270,000. The bonds were used to currently refund General Obligation Bonds, Series of 2010. Principal maturities occur on September 1 through the year 2023. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 0.30% to 2.125%. The District realized savings of \$467,119 as a result of the refunding.

\$ 3,860,000

General Obligation Bond - Series of 2020:

The District is liable for general obligation bonds dated September 9, 2020, in the original amount of \$9,340,000. The bond proceeds, along with a District cash contribution of \$30,000, were used to currently refund General Obligation Bonds, Series of 2013 and General Obligation Bonds, Series of 2014. Principal maturities occur on November 15 through the year 2030. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 2% to 4%. The District realized savings of \$562,195 as a result of the refunding.

8,465,000

Total Bonds Payable \$ 12,325,000

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

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

	General Obligation Bonds - Series of 2015	General Obligation Bonds - Series of 2020	Total General Long-Term Debt	Interest
2022	\$ 1,515,000	\$ 805,000	\$ 2,320,000	\$ 304,556
2023	1,540,000	845,000	2,385,000	241,006
2024	805,000	885,000	1,690,000	182,453
2025	-	920,000	920,000	137,800
2026	-	960,000	960,000	100,200
2027-2030	-	4,050,000	4,050,000	163,900
	<u>\$ 3,860,000</u>	<u>\$ 8,465,000</u>	<u>\$ 12,325,000</u>	<u>\$ 1,129,915</u>

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	\$ 15,135,000	\$ 9,340,000	\$ 12,150,000	\$ 12,325,000	\$ 2,320,000
Discounts	(15,691)	-	(15,691)	-	-
Premiums	94,701	659,562	124,529	629,734	-
Total Bonds Payable	<u>15,214,010</u>	<u>9,999,562</u>	<u>12,258,838</u>	<u>12,954,734</u>	<u>2,320,000</u>
Compensated absences	797,124	330,060	274,048	853,136	61,332
Net pension liability	44,075,655	2,533,288	-	46,608,943	-
Net other postemployment benefit liabilities	<u>4,323,731</u>	<u>-</u>	<u>90,400</u>	<u>4,233,331</u>	<u>-</u>
Total Governmental Long-Term Liabilities	<u>\$ 64,410,520</u>	<u>\$ 12,862,910</u>	<u>\$ 12,623,286</u>	<u>\$ 64,650,144</u>	<u>\$ 2,381,332</u>
Business-Type Activities					
Net pension liability	\$ 835,345	\$ 120,712	\$ -	\$ 956,057	\$ -
Net other postemployment benefit liabilities	<u>36,749</u>	<u>905</u>	<u>-</u>	<u>37,654</u>	<u>-</u>
Total Business-Type Long-Term Liabilities	<u>\$ 872,094</u>	<u>\$ 121,617</u>	<u>\$ -</u>	<u>\$ 993,711</u>	<u>\$ -</u>

Payments on bonds payable are made by the general fund. Total interest expense paid during the year ended June 30, 2021, was \$360,873. The compensated absences liabilities will also be liquidated by the general fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general fund.

Events of Default

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three 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 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% 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 (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

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

Member Contributions:

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

Member Contributions - continued:

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,444,838 for the year ended June 30, 2021.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2021, for pension and OPEB benefits was \$2,285,690.

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

At June 30, 2021, the District reported a liability of \$47,565,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.0966%, which was an increase of 0.0006% from its proportion measured as of June 30, 2020.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2021, the District recognized pension expense of \$4,734,123. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,000	\$ 1,140,000
Net difference between projected and actual investment earnings	2,090,000	-
Changes in proportion - plan level	343,000	458,000
Changes in proportion - internal	71,380	71,380
Difference between employer contributions and proportionate share of total contributions	45,873	-
Contributions made subsequent to the measurement date	4,444,838	-
	<u>\$ 7,119,091</u>	<u>\$ 1,669,380</u>

The \$4,444,838 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2022	\$ (372,388)
2023	63,646
2024	695,321
2025	618,294
	<u>\$ 1,004,873</u>

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period 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 PSERS pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 is:

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

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.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
	<hr/>	<hr/>	<hr/>
District's proportionate share of the net pension liability	\$ 58,848,000	\$ 47,565,000	\$ 38,007,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,771,466. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2021.

Hybrid Defined Benefit/Defined Contribution Retirement Plan

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the District were \$23,876 for the year ended June 30, 2021.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

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

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The District has other postemployment benefits (OPEB) under two different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan), and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2021, are as follows:

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 2,087,000	\$ 240,767	\$ 85,000
District OPEB Plan	<u>2,183,985</u>	<u>133,504</u>	<u>424,364</u>
Total	<u>\$ 4,270,985</u>	<u>\$ 374,271</u>	<u>\$ 509,364</u>

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) provides Premium Assistance which is a governmental cost-sharing, multiple-employer, other postemployment benefits 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 (HOP). As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$108,767 for the year ended June 30, 2021.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions - continued

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2021, for pension and OPEB benefits was \$2,285,690.

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

At June 30, 2021, the District reported a liability of \$2,087,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.0966%, which was an increase of 0.0006% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$99,385. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,000	\$ -
Changes in assumptions	85,000	46,000
Net difference between projected and actual investment earnings	4,000	-
Changes in proportion	24,000	39,000
Contributions made subsequent to the measurement date	108,767	-
	<u>\$ 240,767</u>	<u>\$ 85,000</u>

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

The \$108,767 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2022	\$ 1,000
2023	1,000
2024	-
2025	24,000
2026	13,000
Thereafter	<u>8,000</u>
	<u>\$ 47,000</u>

Actuarial Assumptions

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
US Core fixed income	46.5%	(0.1%)
Non-US developed fixed	3.2%	(0.1%)
	<u>100.0%</u>	

Discount Rate

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

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

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2020 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
District's proportionate share of the net OPEB liability	\$ 2,087,000	\$ 2,087,000	\$ 2,087,000

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

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ 2,380,000	\$ 2,087,000	\$ 1,845,000

OPEB Plan Fiduciary Net Position

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Payables Related to the Plan

At June 30, 2021, the District had an accrued balance due to PSERS of \$1,771,466, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021.

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

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

Benefits Provided

Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to retirees:

All Employees

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Retire from the District	Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.	Medical coverage ends at Retiree age 65. Spouse medical coverage ends at spouse age 65.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either:
i) PSERS early retirement while under 62 with 5 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either:
i) PSERS early retirement while under 65 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either:
i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, these pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either:
i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, these pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Employees Covered by Benefit Terms

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

Active participants	183
Retired participants	<u>8</u>
Total	<u><u>191</u></u>

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2020, was determined by rolling forward the District's total OPEB liability as of July 1, 2019 to July 1, 2020, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 1.86% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 70% of employees are assumed to elect coverage.

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

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	<u>\$ 2,318,480</u>
Changes for the year:	
Service cost	175,036
Interest	81,768
Differences between expected and actual experience	(283,203)
Changes of assumptions or other inputs	2,576
Benefit payments	<u>(110,672)</u>
Net changes	<u>(134,495)</u>
Balance at June 30, 2021	<u><u>\$ 2,183,985</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.36% to 1.86%, (2) the trend assumption was updated, and (3) the percent of eligible retirees assumed to elect coverage decreased from 80% to 70%.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (0.86%) or one-percentage point higher (2.86%) than the current discount rate:

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
OPEB Plan - Total OPEB liability	\$ 2,356,773	\$ 2,183,985	\$ 2,019,609

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB liability	\$ 1,903,407	\$ 2,183,985	\$ 2,521,947

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$226,699. At June 30, 2021, 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>
Changes in assumptions	\$ 67,649	\$ 58,224
Differences between expected and actual experience	-	366,140
Benefit payments made subsequent to the measurement date	65,855	-
	<u>\$ 133,504</u>	<u>\$ 424,364</u>

TULPEHOCKEN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The \$65,855 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2022	\$ (30,105)
2023	(30,105)
2024	(30,105)
2025	(30,105)
2026	(30,105)
Thereafter	<u>(206,190)</u>
Total	<u>\$ (356,715)</u>

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The board of directors of each participating district must approve the Center's annual operating budget. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2020/2021 year was \$610,834.

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

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Worker's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages for the 2020/2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

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

The District has entered into an agreement for the transportation of students. The Agreement is for the period of July 1, 2018 through June 30, 2022. The contractor provides all equipment, fuel and labor necessary. The cost for the transportation services is determined based on a yearly base service cost, which is reconciled prior to June 30th each year.

The District is involved in routine litigation incidental to the conduct of its business. The results, in the opinion of management, are not likely to affect the District's financial condition, results of operations, or cash flows.

Construction Commitment

At June 30, 2021, the District had a \$2,859,222 contract relating to the High School Renovation project. As of June 30, 2021, \$387,960 of costs have been incurred on these contracts, leaving a commitment remaining of \$2,471,262. Monies available in the capital projects fund will be used to cover these commitments.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2021, are as follows:

General Fund

The general fund has nonspendable funds of \$8,472 for prepaid expenditures; restricted funds of \$32,500 for an education settlement; committed funds of \$950,000 for athletic facility improvements, \$500,000 for retirement rate and other benefit cost increases, \$200,000 for special education program, and \$370,000 for curriculum; and unassigned funds of \$2,541,107. The commitments were authorized by the school board of directors' motion to set aside resources to fund anticipated athletic facility improvements, increases in retirement contributions and other benefits costs, for special education settlements, and for new curriculum costs.

Capital Projects

The capital projects fund has restricted funds of \$7,404,134 comprised of surplus moneys transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

Nonmajor Funds

The nonmajor funds have restricted funds of \$161,693, consisting of \$83,393 for donor restrictions, \$57,985 for student activities, and \$20,315 for scholarships.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the District's fiscal year ending June 30, 2022.
- Statement No. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the District's fiscal year ending June 30, 2023.

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

REQUIRED SUPPLEMENTARY INFORMATION

TULPEHOCKEN AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2021

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources:				
Real estate taxes	\$ 18,966,455	\$ 18,966,455	\$ 20,230,369	\$ 1,263,914
Other taxes	1,931,695	1,931,695	3,385,144	1,453,449
Earnings on investments	75,000	75,000	1,733	(73,267)
Revenue from student activities	3,000	3,000	2,854	(146)
Revenue from intermediate sources	261,000	261,000	408,571	147,571
Tuition	42,500	42,500	46,207	3,707
Other revenue	13,000	13,000	108,916	95,916
State sources	10,074,201	10,074,201	10,240,869	166,668
Federal sources	1,067,304	1,067,304	952,024	(115,280)
TOTAL REVENUES	32,434,155	32,434,155	35,376,687	2,942,532
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	13,703,603	13,703,603	13,499,564	204,039
Special programs - elementary/secondary	4,466,961	4,466,961	4,443,938	23,023
Vocational education	766,890	766,890	764,848	2,042
Other instructional programs - elementary/secondary	371,787	371,787	193,382	178,405
Nonpublic school programs	5,000	5,000	1,910	3,090
TOTAL INSTRUCTIONAL SERVICES	19,314,241	19,314,241	18,903,642	410,599
SUPPORT SERVICES:				
Students	1,194,811	1,194,811	1,154,153	40,658
Instructional staff	1,098,249	1,098,249	995,574	102,675
Administration	1,596,036	1,596,036	1,640,852	(44,816)
Pupil health	415,374	415,374	367,708	47,666
Business	611,413	611,413	465,451	145,962
Operation and maintenance of plant	2,582,136	2,582,136	2,878,373	(296,237)
Student transportation	1,456,373	1,456,373	1,171,586	284,787
Central	691,168	691,168	826,559	(135,391)
Other	23,000	23,000	26,673	(3,673)
TOTAL SUPPORT SERVICES	9,668,560	9,668,560	9,526,929	141,631

TULPEHOCKEN AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

Year Ended June 30, 2021

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
EXPENDITURES - CONTINUED				
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	466,650	466,650	416,457	50,193
Community services	16,016	16,016	5,136	10,880
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	482,666	482,666	421,593	61,073
DEBT SERVICE:				
Principal	2,360,000	2,360,000	2,360,000	-
Interest	348,688	348,688	277,944	70,744
TOTAL DEBT SERVICE	2,708,688	2,708,688	2,637,944	70,744
TOTAL EXPENDITURES	32,174,155	32,174,155	31,490,108	684,047
EXCESS OF REVENUES OVER EXPENDITURES	260,000	260,000	3,886,579	3,626,579
OTHER FINANCING USES				
Insurance recoveries	-	-	14,231	14,231
Transfers In	-	-	2,959	2,959
Transfers out	(260,000)	(260,000)	(3,830,000)	(3,570,000)
Budgetary reserve	(175,000)	(175,000)	-	175,000
TOTAL OTHER FINANCING USES	(435,000)	(435,000)	(3,812,810)	(3,377,810)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (175,000)	\$ (175,000)	73,769	\$ 248,769
FUND BALANCE - BEGINNING OF YEAR			4,528,310	
FUND BALANCE - END OF YEAR			\$ 4,602,079	

See note to required supplementary information.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

BUDGETARY DATA

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2020/2021 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations.

Budgetary Compliance

The District's only legally adopted budget is for the general fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2021. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.0966%	0.0960%	0.0969%	0.0958%	0.0985%	0.0987%	0.0993%	0.0971%
District's proportionate share of the collective net pension liability	\$ 47,565,000	\$ 44,911,000	\$ 46,517,000	\$ 47,314,000	\$ 48,813,000	\$ 42,752,000	\$ 39,304,000	\$ 39,749,000
District's covered payroll	\$ 13,554,902	\$ 13,245,163	\$ 13,048,243	\$ 12,754,140	\$ 12,755,004	\$ 12,693,060	\$ 12,670,891	\$ 12,460,944
District's proportionate share of the net pension liability as a percentage of its covered payroll	350.91%	339.07%	356.50%	370.97%	382.70%	336.81%	310.19%	318.99%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.65%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

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

NOTES TO SCHEDULE

Changes of Benefit Terms for the fiscal year ended June 30, 2021
None.

Changes of Assumptions for the fiscal year ended June 30, 2021
None.

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

TULPEHOCKEN AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 4,444,838	\$ 4,503,002	\$ 4,334,120	\$ 4,153,633	\$ 3,738,821	\$ 3,188,959	\$ 2,631,295	\$ 2,030,178	\$ 1,432,889	\$ 999,405
Contributions in relation to the contractually required contribution	4,444,838	4,503,002	4,334,120	4,153,633	3,738,821	3,188,959	2,631,295	2,030,178	1,432,889	999,405
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,197,460	\$ 13,554,902	\$ 13,245,163	\$ 13,048,243	\$ 12,754,140	\$ 12,755,004	\$ 12,693,060	\$ 12,670,891	\$ 12,460,944	
Contributions as a percentage of covered payroll	33.68%	33.22%	32.72%	31.83%	29.31%	25.00%	20.73%	16.02%	11.50%	

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

TULPEHOCKEN AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net PSERS OPEB liability	0.0966%	0.0960%	0.0969%	0.0958%	0.0985%
District's proportionate share of the collective net PSERS OPEB liability	\$ 2,087,000	\$ 2,042,000	\$ 2,020,000	\$ 1,952,000	\$ 2,122,000
District's covered payroll	\$ 13,554,902	\$ 13,245,163	\$ 13,048,243	\$ 12,754,140	\$ 12,755,004
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	15.40%	15.42%	15.48%	15.30%	16.64%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%

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

NOTES TO SCHEDULE

Changes of Benefit Terms for the fiscal year ended June 30, 2021

None.

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

Significant changes of assumptions for the June 30, 2020 measurement date are as follows:

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

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

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 108,767	\$ 113,385	\$ 110,347	\$ 108,617	\$ 106,275	\$ 107,149	\$ 115,520	\$ 118,004	\$ 107,155	\$ 81,202
Contributions in relation to the contractually required contribution	<u>108,767</u>	<u>113,385</u>	<u>110,347</u>	<u>108,617</u>	<u>106,275</u>	<u>107,149</u>	<u>115,520</u>	<u>118,004</u>	<u>107,155</u>	<u>81,202</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,197,460	\$ 13,554,902	\$ 13,245,163	\$ 13,048,243	\$ 12,754,140	\$ 12,755,004	\$ 12,693,060	\$ 12,670,891	\$ 12,460,944	
Contributions as a percentage of covered payroll	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.91%	0.93%	0.86%	

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

TULPEHOCKEN AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 175,036	\$ 176,063	\$ 178,251	\$ 167,850
Interest	81,768	70,578	74,243	53,773
Differences between expected and actual experience	(283,203)	-	(136,138)	-
Changes in assumptions	2,576	(68,810)	590	93,624
Benefit payments	(110,672)	(112,772)	(124,944)	(99,357)
Net change in total OPEB liability	(134,495)	65,059	(7,998)	215,890
Total OPEB liability, beginning	2,318,480	2,253,421	2,261,419	2,045,529
Total OPEB liability, ending	<u>\$ 2,183,985</u>	<u>\$ 2,318,480</u>	<u>\$ 2,253,421</u>	<u>\$ 2,261,419</u>
Covered Employee Payroll	<u>\$ 11,789,684</u>	<u>\$ 12,361,508</u>	<u>\$ 12,361,508</u>	<u>\$ 11,707,710</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	18.52%	18.76%	18.23%	19.32%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2020 measurement date are as follows:

- The discount rate changed from 3.36% to 1.86%.
- The trend assumption was updated.
- The percent of eligible retirees assumed to elect coverage decreased from 80% to 70%.

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

- The discount rate was updated each year based on the S&P Municipal Bond 20-Year High Grade Index.
- The healthcare cost trend assumption was updated each year.

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

SUPPLEMENTARY INFORMATION

TULPEHOCKEN AREA SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2021

	Donor Restricted	Student Activity	Scholarship	Debt Service	Total Nonmajor Funds
ASSETS					
Cash and investments	\$ 83,976	\$ 57,985	\$ 20,315	\$ -	\$ 162,276
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 583	\$ -	\$ -	\$ -	\$ 583
FUND BALANCES					
Restricted fund balance	83,393	57,985	20,315	-	161,693
TOTAL LIABILITIES AND FUND BALANCES	\$ 83,976	\$ 57,985	\$ 20,315	\$ -	\$ 162,276

TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2021

	Donor Restricted	Student Activity	Scholarship	Debt Service	Total Nonmajor Funds
REVENUES					
Local sources	\$ 52,450	\$ 40,335	\$ 2,958	\$ -	\$ 95,743
EXPENDITURES					
Current:					
Instructional services	9,610	-	-	-	9,610
Support services	-	-	-	153,674	153,674
Operation of noninstructional services	-	49,623	2,130	-	51,753
Debt service:					
Interest	-	-	-	82,929	82,929
TOTAL EXPENDITURES	<u>9,610</u>	<u>49,623</u>	<u>2,130</u>	<u>236,603</u>	<u>297,966</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	42,840	(9,288)	828	(236,603)	(202,223)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	-	-	-	9,340,000	9,340,000
Premium on issuance of refunding bonds	-	-	-	659,562	659,562
Transfers in	-	-	-	30,000	30,000
Current refunding debt service - principal	-	-	-	(9,790,000)	(9,790,000)
Transfers out	-	-	-	(2,959)	(2,959)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,603</u>	<u>236,603</u>
NET CHANGE IN FUND BALANCES	42,840	(9,288)	828	-	34,380
FUND BALANCES - BEGINNING OF YEAR, RESTATED	<u>40,553</u>	<u>67,273</u>	<u>19,487</u>	<u>-</u>	<u>127,313</u>
FUND BALANCES - END OF YEAR	<u>\$ 83,393</u>	<u>\$ 57,985</u>	<u>\$ 20,315</u>	<u>\$ -</u>	<u>\$ 161,693</u>

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Federal Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at July 1, 2020	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2021
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education:									
Title I - Grants to Local Educational Agencies	I	84.010	013-210434	07/01/20 - 09/30/21	\$ 356,967	\$ 261,890	\$ -	\$ 277,060	\$ 15,170
Title I - Grants to Local Educational Agencies	I	84.010	013-200434	07/16/19 - 09/30/20	361,099	120,349	72,224	48,125	-
Subtotal - ALN 84.010						382,239	72,224	325,185	15,170
Supporting Effective Instruction State Grant	I	84.367	020-210434	07/01/20 - 09/30/21	59,970	59,970	-	59,970	-
Supporting Effective Instruction State Grant	I	84.367	020-200434	07/16/19 - 09/30/20	61,126	-	211	-	211
Supporting Effective Instruction State Grant	I	84.367	020-190434	07/09/18 - 09/30/19	65,930	1,398	1,398	-	-
Subtotal - ALN 84.367						61,368	1,609	59,970	211
Student Support and Academic Enrichment	I	84.424	144-210434	07/01/20 - 09/30/21	27,376	27,376	-	27,376	-
Student Support and Academic Enrichment	I	84.424	144-200434	07/16/19 - 09/30/20	27,360	-	14,592	-	14,592
Subtotal - ALN 84.424						27,376	14,592	27,376	14,592
Education Stabilization Fund									
Passed through the Pennsylvania Department of Education:									
COVID-19 - Governor's Emergency Relief Fund	I	84.425C	254-20-0434	03/13/20 - 09/30/21	37,031	33,133	-	29,370	(3,763)
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0434	03/13/20 - 09/30/21	296,480	249,667	-	279,621	29,954
Passed through Pennsylvania Commission on Crime and Delinquency:									
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	2020-ES-01-34996	03/13/20 - 09/30/22	41,040	-	-	40,988	40,988
Subtotal - ALN 84.425D						249,667	-	320,609	70,942
Total Education Stabilization Fund						282,800	-	349,979	67,179
Passed through Carbon Lehigh Intermediate Unit:									
English Language Acquisition State Grants	I	84.365	010-210721	07/01/20 - 09/30/21	5,346	5,346	-	5,346	-
Special Education Cluster (IDEA)									
Passed through the Berks County Intermediate Unit:									
Special Education - Preschool Grants	I	84.173	N/A	07/01/20 - 06/30/21	2,415	-	-	2,415	2,415
Special Education - Preschool Grants	I	84.173	N/A	07/01/19 - 06/30/20	3,500	3,500	3,500	-	-
Subtotal - ALN 84.173						3,500	3,500	2,415	2,415
Special Education - Grants to States	I	84.027	N/A	07/01/20 - 09/30/21	285,386	-	-	285,386	285,386
Special Education - Grants to States	I	84.027	N/A	07/01/19 - 09/30/20	287,624	287,624	287,624	-	-
Passed through the Lancaster-Lebanon County Intermediate Unit:									
Special Education - Grants to States	I	84.027	062-200000	07/01/19 - 06/30/20	10,000	10,000	5,062	4,938	-
Special Education - Grants to States	I	84.027	062-210033	07/01/20 - 06/30/21	10,000	10,000	-	10,000	-
Special Education - Grants to States	I	84.027	062-210033	07/01/20 - 06/30/21	10,000	10,000	-	5,832	(4,168)
Passed through the Pennsylvania Department of Education:									
COVID-19 - Special Education Impact Mitigation Grant	I	84.027	252-20-0434	07/01/20 - 09/30/21	23,838	7,946	-	4,340	(3,606)
Subtotal - ALN 84.027						325,570	292,686	310,496	277,612
Total Special Education Cluster (IDEA)						329,070	296,186	312,911	280,027
TOTAL U.S. DEPARTMENT OF EDUCATION						1,088,199	384,611	1,080,767	377,179

See notes to schedule of expenditures of federal awards.

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Federal Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at July 1, 2020	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2021
U.S. DEPARTMENT OF TREASURY									
Passed through Pennsylvania Commission on Crime and Delinquency:									
COVID-19 - Coronavirus Relief Fund	I	21.019	2020-CS-01-33682	03/01/20 - 10/30/20	175,952	175,952	-	175,952	-
Passed through the County of Berks:									
COVID-19 - Coronavirus Relief Fund	I	21.019	CGA-235821-20	03/01/20 - 09/20/20	100,000	100,000	-	100,000	-
TOTAL U.S. DEPARTMENT OF TREASURY						275,952	-	275,952	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Medicaid Cluster									
Passed through the Pennsylvania Department of Human Services:									
Medical Assistance Program	I	93.778	N/A	07/01/20 - 09/30/21	3,876	1,238	-	3,876	2,638
Medical Assistance Program	I	93.778	N/A	07/01/19 - 09/30/20	2,229	1,480	1,480	-	-
TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						2,718	1,480	3,876	2,638
U.S. DEPARTMENT OF AGRICULTURE									
Child Nutrition Cluster									
Passed through the Pennsylvania Department of Agriculture:									
National School Lunch Program - Donated Commodities	I	10.555	N/A	07/01/20 - 06/30/21	79,163	70,275	(23,438)	79,163	(14,550)
Passed through the Pennsylvania Department of Education:									
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	61,689	4,461	4,461	-	-
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	392,805	386,658	-	392,805	6,147
Subtotal - ALN 10.555						461,394	(18,977)	471,968	(8,403)
COVID-19 - School Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	33,187	2,821	2,821	-	-
COVID-19 - School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	119,529	115,633	-	119,529	3,896
Subtotal - ALN 10.553						118,454	2,821	119,529	3,896
TOTAL CHILD NUTRITION CLUSTER AND TOTAL U.S. DEPARTMENT OF AGRICULTURE						579,848	(16,156)	591,497	(4,507)
TOTAL FEDERAL AWARDS						<u>\$ 1,946,717</u>	<u>\$ 369,935</u>	<u>\$ 1,952,092</u>	<u>\$ 375,310</u>

I = Indirect Source of Funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2021.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Tulpehocken Area School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tulpehocken Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Tulpehocken Area School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

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

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. No ACCESS funding classified as fee-for-service was recognized for the year ended June 30, 2021.

NOTE 5 - NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had \$14,550 of food commodity inventory.

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

**To the Board of School Directors
Tulpehocken Area School District
Bethel, 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 Tulpehocken Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Tulpehocken Area School District's basic financial statements, and have issued our report thereon dated February 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tulpehocken Area School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulpehocken Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulpehocken 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 Tulpehocken 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
February 10, 2022

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

**To the Board of School Directors
Tulpehocken Area School District
Bethel, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Tulpehocken 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 Tulpehocken Area School District's major federal programs for the year ended June 30, 2021. Tulpehocken 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 Tulpehocken 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 Tulpehocken 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 Tulpehocken Area School District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the Tulpehocken Area School District did not comply with requirements regarding the Child Nutrition Cluster as described in finding number 2021-001 for Allowable Activities. Compliance with such requirements is necessary, in our opinion, for the Tulpehocken Area School District to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Tulpehocken 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 the Child Nutrition Cluster for the year ended June 30, 2021.

Tulpehocken Area School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tulpehocken Area School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Tulpehocken 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 Tulpehocken 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 Tulpehocken Area School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

Tulpehocken Area School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tulpehocken Area School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Herbein + Company, Inc.

**Reading, Pennsylvania
February 10, 2022**

TULPEHOCKEN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? X yes no

Identification of Major Program(s):

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Child Nutrition Cluster</u>
10.553	COVID-19 - School Breakfast Program
10.555	COVID-19 - National School Lunch Program

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

Auditee qualified as low-risk auditee? X yes no

TULPEHOCKEN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

2021-001 ALLOWABLE ACTIVITIES - MATERIAL WEAKNESS

Federal Program

Child Nutrition Cluster

COVID-19 - School Breakfast Program ALN 10.553; passed through the Pennsylvania Department of Education; Grant Period 7/1/20-6/30/21

COVID-19 - National School Lunch Program ALN 10.555; passed through the Pennsylvania Department of Education; Grant Period 7/1/20-6/30/21

Criteria

To receive reimbursement payments for meals served under the School Breakfast and National School Lunch Programs, the District must submit claims for reimbursement to its administering agency. The claim reports include the number of reimbursable meals served by type (breakfast/lunch) during the period covered by the monthly claim report. All claim reports submitted must be supported by accurate meal counts and records indicating the number of meals served by type.

Condition

The claim reports filed for meals served during November 2020, January 2021, and May 2021 did not report the correct number of breakfast and lunch meals served.

Cause

The District used SSO Point of Service Meal Count Forms to track daily meal sales. A spreadsheet was then used to summarize the totals from each daily form to calculate the totals to claim for each month. There was an error in the spreadsheet formula that excluded some of the daily numbers from the calculated monthly total. This resulted in the total meals claimed on the monthly reports being less than the number of meals served. The District did not currently have a review process in place before the reports were submitted.

Effect

The errors in the calculated monthly totals resulted in the November 2020 report being submitted with 491 less breakfast and 1,105 less lunch meals claimed than served, the January 2021 report being submitted with 294 less breakfast and 115 less lunch meals claimed than served, and the May 2021 report being submitted with 72 less breakfast and 403 less lunch meals claimed than served. The understatement of meals submitted resulted in the District receiving underpayment for the federal subsidy.

Questioned Costs

None.

TULPEHOCKEN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Section III - Federal Awards Findings and Questioned Costs - continued

Context

Our audit included testing a sample of three monthly claim reports filed during the year. From the sample, we noted that all three reports had underreported meals due to the same spreadsheet calculation error. We reviewed a spreadsheet of underreporting errors on monthly reports for the entire year ended June 30, 2021 as compiled by the District. The total breakfast and lunch meals underreported for the year was approximately 2,800 and 5,300, respectively. This resulted in an estimated underpayment of \$25,000 for the federal subsidy.

Repeat Finding

No.

Recommendation

We recommend that a second person review the spreadsheet used to calculate the total of meals served for the month to determine the total agrees to the totals from each daily SSO Point of Service Meal Count form. In addition, after the meals are entered into the monthly claim reimbursement reports, a second person should review the claim recap reports to determine the totals agree to the supporting documentation. The reviewer should sign off on the claim recap reports as evidence of the review process. This process will allow any errors made to be caught before submission.

Management Response

See corrective action plan included in this report package.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Section II - Financial Statement Findings

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

Section III - Federal Awards Findings and Questioned Costs

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



CORRECTIVE ACTION PLAN

U.S. Department of Agriculture:

Tulpehocken Area School District respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm: Herbein + Company, Inc., 2763 Century Boulevard, Reading, PA 19610

Audit Period: Year Ended June 30, 2021

Contact Person: Thomas Kowalonek, Chief Financial Officer

The finding from the June 30, 2021 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Section III - Federal Awards Findings and Questioned Costs

2021-001 ALLOWABLE ACTIVITIES - MATERIAL WEAKNESS

Federal Program

Child Nutrition Cluster

COVID-19 - School Breakfast Program ALN 10.553; passed through the Pennsylvania Department of Education; Grant Period 7/1/20-6/30/21

COVID-19 - National School Lunch Program ALN 10.555; passed through the Pennsylvania Department of Education; Grant Period 7/1/20-6/30/21

Criteria

To receive reimbursement payments for meals served under the School Breakfast and National School Lunch Programs, the District must submit claims for reimbursement to its administering agency. The claim reports include the number of reimbursable meals served by type (breakfast/lunch) during the period covered by the monthly claim report. All claim reports submitted must be supported by accurate meal counts and records indicating the number of meals served by type.

Condition

The claim reports filed for meals served during November 2020, January 2021, and May 2021 did not report the correct number of breakfast and lunch meals served.



Cause

The District used SSO Point of Service Meal Count Forms to track daily meal sales. A spreadsheet was then used to summarize the totals from each daily form to calculate the totals to claim for each month. There was an error in the spreadsheet formula that excluded some of the daily numbers from the calculated monthly total. This resulted in the total meals claimed on the monthly reports being less than the number of meals served. The District did not currently have a review process in place before the reports were submitted.

Effect

The errors in the calculated monthly totals resulted in the November 2020 report being submitted with 491 less breakfast and 1,105 less lunch meals claimed than served, the January 2021 report being submitted with 294 less breakfast and 115 less lunch meals claimed than served, and the May 2021 report being submitted with 72 less breakfast and 403 less lunch meals claimed than served. The understatement of meals submitted resulted in the District receiving underpayment for the federal subsidy.

Questioned Costs

None.

Context

Our audit included testing a sample of three monthly claim reports filed during the year. From the sample, we noted that all three reports had underreported meals due to the same spreadsheet calculation error. We reviewed a spreadsheet of underreporting errors on monthly reports for the entire year ended June 30, 2021 as compiled by the District. The total breakfast and lunch meals underreported for the year was approximately 2,800 and 5,300, respectively. This resulted in an estimated underpayment of \$25,000 for the federal subsidy.

Repeat Finding

No.

Recommendation

We recommend that a second person review the spreadsheet used to calculate the total of meals served for the month to determine the total agrees to the totals from each daily SSO Point of Service Meal Count form. In addition, after the meals are entered into the monthly claim reimbursement reports, a second person should review the claim recap reports to determine the totals agree to the supporting documentation. The reviewer should sign off on the claim recap reports as evidence of the review process. This process will allow any errors made to be caught before submission.

Management Response

The District has implemented the following changes to the meal count process. At the high school, we no longer use the daily count sheets. Students are entering their unique pin number for breakfast and lunch. At the elementary level, we have continued to use the daily count sheet for breakfast. The Food Service Director reviews the daily count sheet and enters the total number of breakfasts into Primeroedge. A report is printed and attached to the daily count sheet. The Food Service Fiscal Director reviews the report to ensure the total entered into Primeroedge matches what is on the daily sheet. For lunch at the elementary buildings, students now enter their unique pin number (or they have a card that scans their unique pin) at lunch to allow the system to total the meals.

At the end of the month, the Food Service Fiscal Director prints the reports from Primeroedge, which gives the grand total of breakfasts and lunches for each building. These numbers are entered into PEARS and a report is printed of the data entered. The Chief Financial Officer then compares the reports from Primeroedge with what has been entered in PEARS. If everything is entered correctly, the Food Service Fiscal Director then completes the submission in PEARS.

Estimated Completion Date: 12/31/2021

Sincerely,

A handwritten signature in black ink, appearing to read 'TKowalonek', with a long horizontal flourish extending to the right.

Thomas Kowalonek
Chief Financial Officer