TULPEHOCKEN AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 Tulpehocken Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Tulpehocken Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tulpehocken Area School District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tulpehocken Area School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, effective July 1, 2021, Tulpehocken Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tulpehocken Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Tulpehocken Area School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tulpehocken Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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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 73 through 77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Tulpehocken Area School District's basic financial statements. The accompanying combining nonmajor governmental funds financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023, on our consideration of Tulpehocken Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Tulpehocken Area School 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 Tulpehocken Area School District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
March 14, 2023

TULPEHOCKEN AREA SCHOOL DISTRICT

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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 $7,985,807 during the 2021-2022 fiscal year. The governmental net position increased by $7,602,094 and the business-type (food service) net position increased by $383,713. The total net pension liability that was recognized for the first time in the 2014-2015 fiscal year is currently $38,224,000 and is the reason the District's total net position stands at ($3,744,540).

During the year, the District exceeded budgeted revenues by $1,094,275 mainly due to continued real estate growth. Expenditures were less than the budgeted amounts by $1,137,951 due to general expense control practices. The District transferred $3,250,000 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 $7,404,134 at June 30, 2021, and at June 30, 2022, it stands at $6,558,965, a decrease of $845,169.

Healthcare and pension costs continue to be the important expenses in future budgets. The employer pension rate has leveled off in recent years but low medical rate increases over the last 5 years are leading to larger increases in future years. After many years committing funds for benefit increases the District chose to commit more funds for athletic facilities improvements. The District has committed $1,550,000 for athletic facility deferred maintenance costs, $200,000 for unanticipated special education costs, and $250,000 for curriculum expenses that are anticipated to be a large one-time cost within the next two years.

The I-78 warehouse construction market has provided the District with a steady increase of tax revenue since they started being built ten years ago and provided District taxpayers millage rate reductions for the last six years in a row.

The District solicited bids for the renovation of the Junior Senior High School during the 2021-2022 school year but the bids were rejected due to the high market conditions at that time. Design changes are in process and the District plans on bidding a revised project in the summer of 2023. A bond issue has been authorized and the amount will be determined when the bids are awarded.

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 funds) 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 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, 2021 and 2022

	2021			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and other assets	$ 16,537,076	$ 308,704	$ 16,845,780	$ 17,070,874	$ 619,977	$ 17,690,851
Capital assets	35,838,348	61,500	35,899,848	38,648,929	66,400	38,715,329
Total assets	52,375,424	370,204	52,745,628	55,719,803	686,377	56,406,180
Deferred outflows of resources	7,290,403	205,061	7,495,464	7,259,547	137,150	7,396,697
Liabilities						
Current and other liabilities	6,508,077	22,095	6,530,172	7,267,027	22,918	7,289,945
Long-term liabilities	62,268,812	993,711	63,262,523	50,973,529	693,336	51,666,865
Total liabilities	68,776,889	1,015,806	69,792,695	58,240,556	716,254	58,956,810
Deferred inflows of resources	2,144,915	33,829	2,178,744	8,392,677	197,930	8,590,607
Net Position						
Net Investment in Capital Assets	22,885,716	61,500	22,947,216	28,027,477	66,400	28,093,877
Restricted	7,598,327	-	7,598,327	6,735,251	-	6,735,251
Unrestricted	(41,740,020)	(535,870)	(42,275,890)	(38,416,611)	(157,057)	(38,573,668)
Total net position	$ (11,255,977)	$ (474,370)	$ (11,730,347)	$ (3,653,883)	$ (90,657)	$ (3,744,540)

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 2022

	2021			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	$ 50,436	$ 41,750	$ 92,186	$ 55,148	$ 102,641	$ 157,789
Operating grants and contributions	6,574,895	659,093	7,233,988	6,411,981	1,140,554	7,552,535
Capital grants and contributions	225,862	7,653	233,515	180,946	-	180,946
General revenues						
Taxes	23,576,431	-	23,576,431	25,241,533	-	25,241,533
Grants	4,975,699	-	4,975,699	5,047,604	-	5,047,604
Other	18,191	132	18,323	107,043	178	107,221
Total revenues	35,421,514	708,628	36,130,142	37,044,255	1,243,373	38,287,628
Expenses						
Instruction	19,479,500	-	19,479,500	18,251,465	-	18,251,465
Instructional student support	2,579,400	-	2,579,400	2,346,635	-	2,346,635
Administrative and financial support services	3,009,346	-	3,009,346	2,739,201	-	2,739,201
Operation and maintenance of plant services	4,252,302	-	4,252,302	3,850,368	-	3,850,368
Pupil transportation	1,171,882	-	1,171,882	1,429,774	-	1,429,774
Non-instructional services	487,357	744,217	1,231,574	616,068	859,660	1,475,728
Interest on long-term debt	276,919	-	276,919	208,650	-	208,650
Total expenses	31,256,706	744,217	32,000,923	29,442,161	859,660	30,301,821
Increase (decrease) in net position	4,164,808	(35,589)	4,129,219	7,602,094	383,713	7,985,807
Beginning Net Position (Deficit)	(15,420,785)	(438,781)	(15,859,566)	(11,255,977)	(474,370)	(11,730,347)
Ending Net Position (Deficit)	$ (11,255,977)	$ (474,370)	$ (11,730,347)	$ (3,653,883)	$ (90,657)	$ (3,744,540)

Table 3
Net Cost of Governmental Activities
Fiscal Years Ended June 30, 2021 and 2022

	Total Cost of Services		Net Cost of Services	
	2021	2022	2021	2022
Instruction	$ 19,479,500	$ 18,251,465	$ 14,956,473	$ 13,232,508
Instructional student support	2,579,400	2,346,635	2,256,139	2,015,753
Administrative and financial support services	3,009,346	2,739,201	2,506,596	2,452,081
Operation and maintenance of plant services	4,252,302	3,850,368	3,839,658	3,676,559
Pupil transportation	1,171,882	1,429,774	396,767	963,843
Other	764,276	824,718	449,880	453,342
Total	$ 31,256,706	$ 29,442,161	$ 24,405,513	$ 22,794,086

- 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, 2022, general revenue supported 77% of governmental activities' costs, and program revenue supported 23% of governmental activities' costs.

- **Business-Type Activities** - Business-type activities include food service operations. This program had revenues of $1,243,195 and expenses of $859,660 for fiscal year 2022. 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 $12,022,182 which is a decrease of $145,724 from the prior year. The General Fund experienced a $713,604 net increase in fund balance. The unassigned portion of the fund balance is $3,029,658 or 7.8% of budgeted 2022-2023 expenditures. The District has committed $2,000,000 for athletic facility improvements, special education, and curriculum.

Proprietary Fund

The food service fund reported an increase in net position of approximately $384,000 which was a result of increased state and federal reimbursements that continued from the pandemic.

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 $1,094,275. The largest variance was in real estate taxes and other taxes such as earned income and real estate transfer taxes which exceeded budget by $855,987 and $846,193, respectively. Federal state revenue fell short of budgeted amounts by $770,201 due to expenditures being delayed and is the main reason the District's expenditures fell short of budgeted amounts by $1,137,951. The District anticipates receiving over $3 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 70 and 71 of this financial report.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District's Governmental Activities had $38,648,929 invested in a variety of capital assets, which represents a net increase (additions less retirements and depreciation) of approximately $2.7 million 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 $10,550,259 in bonds and bond premiums outstanding compared to $12,954,734 last year. This represents a decrease of $2,404,475. The District also had $73,702 in leases payable at June 30, 2022 compared to $101,038 at June 30, 2021. 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 Junior Senior High School renovation project is the most significant factor expected to influence future operations. The District intends to change the configuration to a Middle School/High School with the 6th grade students attending the new Middle School instead of the elementary schools. The final costs of the project and amount of debt service needed are factors that the administration and the board have been focused on since its inception.

The collective bargaining agreement with the Tulpehocken Education Association expires June 30, 2024. Early negotiations began in January 2023.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have 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, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 14,962,066	$ 576,403	$ 15,538,469
Restricted cash	28,752	-	28,752
Taxes receivable, net	498,342	-	498,342
Internal balances	(4,475)	4,475	-
Intergovernmental receivables	1,540,413	10,937	1,551,350
Other receivables	40,239	818	41,057
Inventories	-	27,344	27,344
Prepaid expenses	5,537	-	5,537
Capital assets not being depreciated	4,309,355	-	4,309,355
Capital assets, net of accumulated depreciation	34,267,121	66,400	34,333,521
Right-to-use lease assets, net of accumulated amortization	72,453	-	72,453
TOTAL ASSETS	55,719,803	686,377	56,406,180
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	2,509	-	2,509
Deferred outflows of resources for pension	6,735,536	130,072	6,865,608
Deferred outflows of resources for other postemployment benefits	521,502	7,078	528,580
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,259,547	137,150	7,396,697
LIABILITIES			
Accounts payable	1,034,605	6,677	1,041,282
Accrued interest	44,144	-	44,144
Payroll accruals and withholdings	3,514,820	-	3,514,820
Unearned revenues	197,782	16,241	214,023
Noncurrent liabilities due within one year	2,475,676	-	2,475,676
Noncurrent liabilities:			
Bonds payable, net	8,165,259	-	8,165,259
Lease payable	45,393	-	45,393
Long-term portion of compensated absences	760,640	-	760,640
Net pension liability	37,570,370	653,630	38,224,000
Net other postemployment benefit liabilities	4,431,867	39,706	4,471,573
TOTAL LIABILITIES	58,240,556	716,254	58,956,810
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	7,820,935	195,895	8,016,830
Deferred inflows of resources for other postemployment benefits	571,742	2,035	573,777
TOTAL DEFERRED INFLOWS OF RESOURCES	8,392,677	197,930	8,590,607
NET POSITION			
Net investment in capital assets	28,027,477	66,400	28,093,877
Restricted for capital projects	6,558,965	-	6,558,965
Restricted for other purposes	176,286	-	176,286
Unrestricted (deficit)	(38,416,611)	(157,057)	(38,573,668)
TOTAL NET POSITION (DEFICIT)	$ (3,653,883)	$ (90,657)	$ (3,744,540)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Total
Governmental Activities							
Instruction	$ 18,251,465	$ 49,173	$ 4,963,551	$ 6,233	$ (13,232,508)	$ -	$ (13,232,508)
Instructional student support	2,346,635	-	330,882	-	(2,015,753)	-	(2,015,753)
Administrative and financial support services	2,739,201	-	287,120	-	(2,452,081)	-	(2,452,081)
Operation and maintenance of plant services	3,850,368	3,675	170,134	-	(3,676,559)	-	(3,676,559)
Pupil transportation	1,429,774	-	465,931	-	(963,843)	-	(963,843)
Student activities	609,973	2,300	193,224	-	(414,449)	-	(414,449)
Community services	6,095	-	1,139	-	(4,956)	-	(4,956)
Interest on long-term debt	208,650	-	-	174,713	(33,937)	-	(33,937)
Total Governmental Activities	29,442,161	55,148	6,411,981	180,946	(22,794,086)	-	(22,794,086)
Business-Type Activities							
Food services	859,660	102,641	1,140,554	-	-	383,535	383,535
Total Primary Government	$ 30,301,821	$ 157,789	$ 7,552,535	$ 180,946	(22,794,086)	383,535	(22,410,551)
General Revenues							
Taxes:							
Property taxes					22,602,298	-	22,602,298
Public utility realty, earned income, and mercantile tax					2,639,235	-	2,639,235
Grants, subsidies, and contributions not restricted for a specific program					5,047,604	-	5,047,604
Investment earnings					21,376	178	21,554
Miscellaneous income					85,667	-	85,667
Total General Revenues					30,396,180	178	30,396,358
Change in Net Position					7,602,094	383,713	7,985,807
Net Position (Deficit) - Beginning of Year					(11,255,977)	(474,370)	(11,730,347)
Net Position (Deficit) - End of Year					$ (3,653,883)	$ (90,657)	$ (3,744,540)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 9,436,164	$ 5,377,144	$ 148,758	$ 14,962,066
Restricted cash	28,752	-	-	28,752
Taxes receivable	504,495	-	-	504,495
Interfund receivables	-	1,800,000	10,000	1,810,000
Intergovernmental receivables	1,540,413	-	-	1,540,413
Other receivables	40,239	-	-	40,239
Prepaid expenditures	5,537	-	-	5,537
TOTAL ASSETS	$ 11,555,600	$ 7,177,144	$ 158,758	$ 18,891,502
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payables	$ 1,804,475	$ -	$ 10,000	$ 1,814,475
Accounts payable	415,202	618,179	1,224	1,034,605
Accrued salaries and benefits	1,984,819	-	-	1,984,819
Payroll deductions and withholdings	1,530,001	-	-	1,530,001
Unearned revenues	197,782	-	-	197,782
TOTAL LIABILITIES	5,932,279	618,179	11,224	6,561,682
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	307,638	-	-	307,638
FUND BALANCES				
Nonspendable	5,537	-	-	5,537
Restricted	28,752	6,558,965	147,534	6,735,251
Committed for:				
Athletic facility improvements	1,550,000	-	-	1,550,000
Special education program	200,000	-	-	200,000
Curriculum	250,000	-	-	250,000
Assigned	251,736	-	-	251,736
Unassigned	3,029,658	-	-	3,029,658
TOTAL FUND BALANCES	5,315,683	6,558,965	147,534	12,022,182
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 11,555,600	$ 7,177,144	$ 158,758	$ 18,891,502

TULPEHOCKEN AREA SCHOOL DISTRICT

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

June 30, 2022

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 12,022,182
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 $66,856,506 and the accumulated depreciation/amortization is $28,207,577.		38,648,929
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.		301,485
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	$ (10,005,000)	
Leases payable	(73,702)	
Unamortized bond premium	(545,259)	
Deferred charge on bond refunding	2,509	
Accrued interest on bonds	(44,144)	
Compensated absences	(823,007)	(11,488,603)
The net pension liability and related deferred outflows and inflows of resources of pensions are not reflected on the fund financial statements.		(38,655,769)
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.		(4,482,107)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (3,653,883)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2022

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	$ 25,736,668	$ 7,957	$ 132,341	$ 25,876,966
State sources	9,884,294	-	-	9,884,294
Federal sources	1,286,217	-	-	1,286,217
TOTAL REVENUES	36,907,179	7,957	132,341	37,047,477
EXPENDITURES				
Current:				
Instructional services	19,955,172	-	14,728	19,969,900
Support services	9,827,800	248,072	-	10,075,872
Operation of noninstructional services	561,988	-	131,772	693,760
Capital outlay	-	3,855,054	-	3,855,054
Debt service:				
Principal	2,347,336	-	-	2,347,336
Interest	307,657	-	-	307,657
TOTAL EXPENDITURES	32,999,953	4,103,126	146,500	37,249,579
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,907,226	(4,095,169)	(14,159)	(202,102)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	56,378	-	-	56,378
Transfers in	-	3,250,000	-	3,250,000
Transfers out	(3,250,000)	-	-	(3,250,000)
TOTAL OTHER FINANCING SOURCES (USES)	(3,193,622)	3,250,000	-	56,378
NET CHANGE IN FUND BALANCES	713,604	(845,169)	(14,159)	(145,724)
FUND BALANCES - BEGINNING OF YEAR	4,602,079	7,404,134	161,693	12,167,906
FUND BALANCES - END OF YEAR	$ 5,315,683	$ 6,558,965	$ 147,534	$ 12,022,182

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, 2022

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (145,724)
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	$ 4,386,768	
Less: depreciation and amortization expense	(1,673,212)	
Less: disposal of capital assets	(4,013)	2,709,543
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.		791
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	2,320,000	
Repayment of lease principal	27,336	
Amortization of bond premium	84,475	
Amortization of deferred charge on bond refunding	407	2,432,218
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.		14,125
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	30,129	
Net pension liability and related deferred outflows and inflows	2,671,869	
Net OPEB liability and related deferred outflows and inflows	(110,857)	2,591,141
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 7,602,094

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2022

		Enterprise Fund Food Service
ASSETS		
CURRENT ASSETS		
Cash and investments		$ 576,403
Interfund Receivable		4,475
Intergovernmental receivables		10,937
Other receivables		818
Inventories		27,344
	TOTAL CURRENT ASSETS	619,977
NONCURRENT ASSETS		
Furniture and equipment, net		66,400
	TOTAL ASSETS	686,377
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension		130,072
Deferred outflows of resources for other postemployment benefits		7,078
	TOTAL DEFERRED OUTFLOWS OF RESOURCES	137,150
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		6,677
Unearned revenues		16,241
	TOTAL CURRENT LIABILITIES	22,918
NONCURRENT LIABILITIES		
Net pension liability		653,630
Net other postemployment benefit liabilities		39,706
	TOTAL NONCURRENT LIABILITIES	693,336
	TOTAL LIABILITIES	716,254
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension		195,895
Deferred inflows of resources for other postemployment benefits		2,035
	TOTAL DEFERRED INFLOWS OF RESOURCES	197,930
NET POSITION (DEFICIT)		
Investment in capital assets		66,400
Unrestricted (deficit)		(157,057)
	TOTAL NET POSITION (DEFICIT)	$ (90,657)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2022

	Enterprise Fund Food Service
OPERATING REVENUES	
Food service revenue	$ 102,641
OPERATING EXPENSES	
Salaries	290,523
Employee benefits	166,185
Pension and OPEB valuation adjustments	(68,363)
Supplies	442,253
Depreciation	10,381
Other operating expenses	18,681
TOTAL OPERATING EXPENSES	859,660
OPERATING LOSS	(757,019)
NONOPERATING REVENUES	
Earnings on investments	178
State sources	92,490
Federal sources	1,048,064
TOTAL NONOPERATING REVENUES	1,140,732
CHANGE IN NET POSITION	383,713
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(474,370)
NET POSITION (DEFICIT) - END OF YEAR	$ (90,657)

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year Ended June 30, 2022

	Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from users	$ 100,792
Payments to employees for services	(450,031)
Payments to suppliers for goods and services	(374,647)
Payments for other operating expenses	(18,681)
NET CASH USED FOR OPERATING ACTIVITIES	(742,567)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	88,014
Federal sources	974,634
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,062,648
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of furniture and equipment	(15,281)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	178
NET INCREASE IN CASH AND CASH EQUIVALENTS	304,978
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	271,425
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 576,403

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

Year Ended June 30, 2022

	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	$ (757,019)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	10,381
Donated commodities used	72,884
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Other receivables	1,555
Inventories	(2,828)
Deferred outflows of resources for pension	70,454
Deferred outflows of resources for other postemployment benefits	(2,543)
Accounts payable	4,227
Unearned revenues	(3,404)
Net pension liability	(302,427)
Net other postemployment benefit liabilities	2,052
Deferred inflows of resources for pension	163,775
Deferred inflows of resources for other postemployment benefits	326
Total Adjustments	14,452
NET CASH USED FOR OPERATING ACTIVITIES	$ (742,567)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used $72,884 of commodities from the Department of Agriculture.

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.

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.

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.

The District currently does not have any fiduciary funds.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate financial statements are provided for governmental funds and proprietary 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.

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 form 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

The government-wide and proprietary 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.

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

The 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 leases are reported as other financing sources.

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.

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, 2022, consist of the following:

Purchased food	$ 5,128
Supplies	8,319
Donated commodities	13,897
	$ 27,344

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. Right-to-use lease assets are reported when a qualifying lease liability is incurred.

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:

Assets	Years
Buildings and building improvements	15 - 50
Site improvements	15 - 20
Furniture and equipment	3 - 20
Right-to-use lease assets	5

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, 2022.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Leases

Tulpehocken Area School District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. Tulpehocken Area School District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Also included within the lease term are any qualifying lease renewals or early termination options that the District is reasonably certain to exercise or not exercise. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets as right-to-use lease assets and lease liabilities are reported with noncurrent liabilities on the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. 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.

12. 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:

<u>PSERS OPEB Plan</u>

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.

<u>District OPEB Plan</u>

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. 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.

15. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. 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 Standards

During the year ended June 30, 2022, the District adopted new accounting guidance GASB Statement No. 87, retroactive to July 1, 2021. GASB Statement No. 87 was issued to recognize 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. As a result of this standard implementation, capital assets (including right-to-use lease assets) were increased $101,038 with an offsetting long-term liability payable of the same amount. There was no change in beginning net position.

Effective July 1, 2021, the District adopted new accounting standard guidance GASB Statement No. 89 related to accounting requirements for interest expenses incurred before the end of a construction period. Under this statement, interest expenses incurred before the end of a construction period must be recognized as an expense in the period in which the expenses are incurred for financial statements prepared using the economic resources measurement focus. The adoption of this standard resulted in no restatement to beginning net position.

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, 2022, 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, 2022:

	Food Service Fund
Net position before effects of GASB statements noted below	$ 663,459
Cumulative effect of GASB statement Nos. 68 and 71	(719,453)
Cumulative effect of GASB statement No. 75	(34,663)
Ending net position (deficit)	$ (90,657)

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.

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.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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, 2022, is as follows:

Petty cash	$ 150
Deposits	1,790,406
Certificate of deposit	4,166
Pooled cash and investments	13,772,499
	$ 15,567,221

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, 2022, the carrying amount of the District's deposits was $1,794,572 and the bank balance was $1,823,321. Of the bank balance, $250,000 was covered by federal depository insurance, and $1,573,321 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.

Investments

As of June 30, 2022, the District had the following investments:

	Maturities	Fair Value	Carrying Value
PA School District Liquid Asset Fund (PSDLAF):			
Full flex pool	< 1 year	$ 16,008	$ 16,008
MAX account balance		14,007,276	14,007,276
Total		14,023,284	14,023,284
Less: reconciling items			(250,785)
Total investments			$ 13,772,499

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

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 $14,023,284 (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 PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

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

As of June 30, 2022, the entire PSDLAF book balance of $13,772,499 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, 2022, the District does not have any investments subject to this risk.

Credit Risk

The District has an investment policy that limits its investment choices to certain credit ratings. As of June 30, 2022, the District's investments were rated as follows:

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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.

Restricted Cash
Restricted cash consists of $28,752 of cash held for an education settlement.

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 $834,805,000. In accordance with Act 1 of 2006, the District received $644,934 in property tax reduction funds for the **2021**/2022 fiscal year. The District's tax rate for the year ended June 30, 2022, was 26.00 mills ($26.00 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, 2022 was as follows:

July 1	Full year tax assessed for current year
July 1 - August 31	Discount period during which a 2% discount is allowed
September 1 - October 31	Face amount of tax is due
November 1 - January 14	A 10% penalty is added to all payments
January 15	All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

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

The balances at June 30, 2022, were as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate	$ 329,902	$ 6,153	$ 323,749	$ 22,264	$ 307,638
Earned income	138,434	-	138,434	138,434	-
Transfer tax	36,159	-	36,159	36,159	-
	$ 504,495	$ 6,153	$ 498,342	$ 196,857	$ 307,638

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, 2022. 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.

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, 2022, 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, 2022, the foregone real estate tax revenue as a result of the LERTA tax abatement was $529,945.

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

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2022:

	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 1,804,475
Capital Projects Fund	1,800,000	-
Nonmajor Funds - Donor Restricted	-	10,000
Nonmajor Funds - Student Activity	10,000	-
Enterprise Fund - Food Service	4,475	-
	$ 1,814,475	$ 1,814,475

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, 2022:

	Transfers In	Transfers Out
General Fund	$ -	$ 3,250,000
Capital Projects	3,250,000	-
	$ 3,250,000	$ 3,250,000

Transfers were made to reserve for future capital needs.

NOTE 7 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2022:

Name of Governmental Unit	General Fund	Food Service
Pennsylvania Department of Education:		
Retirement	$ 941,859	$ -
Social Security	187,070	-
School Lunch & Breakfast Programs	-	348
Berks County Intermediate Unit:		
Special Education - Grants to states	287,493	-
Special Education - Preschool grants	2,685	-
Other local educational agencies	16,232	-
Federal Subsidies:		
Title I - Grants to Local Educational Agencies	38,093	-
Student Support and Academic Enrichment	5,452	-
COVID-19 - Education Stabilization Fund	59,581	-
Medical Assistance Program	1,948	-
COVID-19 - National School Lunch Program	-	7,638
COVID-19 - School Breakfast Program	-	2,951
TOTAL	$ 1,540,413	$ 10,937

NOTE 8 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022, were as follows:

	Beginning Balance (Restated)	Increase	(Reclass) Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 65,136	$ -	$ -	$ 65,136
Construction in progress	389,165	3,855,054	-	4,244,219
Total not being depreciated	454,301	3,855,054	-	4,309,355
Capital assets being depreciated:				
Buildings and building improvements	52,465,523	-	-	52,465,523
Site improvements	4,610,817	-	-	4,610,817
Furniture and equipment	5,121,570	531,714	(283,511)	5,369,773
Total being depreciated	62,197,910	531,714	(283,511)	62,446,113
Less accumulated depreciation for:				
Buildings and building improvements	21,954,859	1,178,561	-	23,133,420
Site improvements	1,401,098	114,958	-	1,516,056
Furniture and equipment	3,457,906	351,108	(279,498)	3,529,516
Total accumulated depreciation	26,813,863	1,644,627	(279,498)	28,178,992
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	35,384,047	(1,112,913)	(4,013)	34,267,121
Right-to-use lease assets being amortized:				
Equipment	101,038	-	-	101,038
Less accumulated amortization for:				
Equipment	-	28,585	-	28,585
Total right-to-use lease assets being amortized, net	101,038	(28,585)	-	72,453
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 35,939,386	$ 2,713,556	$ (4,013)	$ 38,648,929
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	$ 147,308	$ 15,281	$ (3,607)	$ 158,982
Less accumulated depreciation for:				
Furniture and equipment	85,808	10,381	(3,607)	92,582
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 61,500	$ 4,900	$ -	$ 66,400

NOTE 8 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instruction	$ 201,496
Administrative and financial support services	115,814
Operation and maintenance of plant services	1,349,172
Student activities	6,730
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 1,673,212

NOTE 9 - LONG-TERM LIABILITIES

Bonds Payable

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, 2022:

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.	$ 2,345,000
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.	7,660,000
Total Bonds Payable	$ 10,005,000

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Bonds Payable - 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
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	-	985,000	985,000	71,150
2028-2030	-	3,065,000	3,065,000	92,750
	$ 2,345,000	$ 7,660,000	$ 10,005,000	$ 825,359

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.

Leases Payable

The District has entered into lease agreements for copiers. The leases have various termination dates through May 2026. The leases includes monthly payments of principal and interest at a rate of 3.5%. The leases are secured by the copier equipment.

Future lease maturities as of June 30 are as follows:

	Principal	Interest	Total
2023	$ 28,309	$ 2,128	$ 30,437
2024	16,702	1,286	17,988
2025	14,729	769	15,498
2026	13,962	246	14,208
	$ 73,702	$ 4,429	$ 78,131

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity, for the year ended June 30, 2022, are as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable	$ 12,325,000	$ -	$ 2,320,000	$ 10,005,000	$ 2,385,000
Premiums	629,734	-	84,475	545,259	-
Total Bonds Payable	12,954,734	-	2,404,475	10,550,259	2,385,000
Leases payable	101,038	-	27,336	73,702	28,309
Compensated absences	853,136	396,958	427,087	823,007	62,367
Net pension liability	46,608,943	-	9,038,573	37,570,370	-
Net other postemployment benefit liabilities	4,233,331	371,300	172,764	4,431,867	-
Total Governmental Long-Term Liabilities	$ 64,751,182	$ 768,258	$ 12,070,235	$ 53,449,205	$ 2,475,676
Business-Type Activities					
Net pension liability	$ 956,057	$ -	$ 302,427	$ 653,630	$ -
Net other postemployment benefit liabilities	37,654	3,910	1,858	39,706	-
Total Business-Type Long-Term Liabilities	$ 993,711	$ 3,910	$ 304,285	$ 693,336	$ -

Payments on bonds and leases payable are made by the general fund. Total interest expense paid during the year ended June 30, 2022, was $307,657. 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.

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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

> Class T-G and Class T-H members who qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.
>
> Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A member's right to a defined benefit is vested in 10 years.

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 state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	**Continuous Employment Since**	**Defined Benefit (DB) Contribution Rate**	**DC Contribution Rate**	**Total Contribution Rate**
T-C	Prior to July 22, 1983	5.25%	N/A	5.25% 6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.50%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions:

The District’s contractually required contribution rate for the fiscal year ended June 30, 2022, was 33.99% 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 $4,747,544 for the year ended June 30, 2022. In addition, the District’s contribution to the defined contribution plan was $20,951 for the year ended June 30, 2022.

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 (OPEB). 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, 2022, for pension and OPEB benefits was $2,439,686.

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

At June 30, 2022, the District reported a liability of $38,224,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District’s proportion was 0.0931%, which was a decrease of 0.0035% from its proportion measured as of 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, 2022, the District recognized pension expense of $2,007,477. At June 30, 2022, 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	$ 28,000	$ 502,000
Changes in assumptions	1,854,000	-
Net difference between projected and actual investment earnings	-	6,085,000
Changes in proportion - plan level	143,000	1,370,000
Changes in proportion - internal	59,830	59,830
Difference between employer contributions and proportionate share of total contributions	33,234	-
Contributions made subsequent to the measurement date	4,747,544	-
	$ 6,865,608	$ 8,016,830

The $4,747,544 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, 2023. 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:

2023	$ (1,694,361)
2024	(1,082,686)
2025	(1,158,713)
2026	(1,963,006)
	$ (5,898,766)

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, 2021, was determined by rolling forward the System's total pension liability at June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

NOTE 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, 2021 is:

	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	(13.0%)	0.1%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	$ 50,170,000	$ 38,224,000	$ 28,146,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2022, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of $1,883,719. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 2022.

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, 2022, are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	$ 2,207,000	$ 390,740	$ 119,000
District OPEB Plan	2,264,573	137,840	454,777
Total	$ 4,471,573	$ 528,580	$ 573,777

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, 2021, there were no assumed future benefit increases to participating eligible retirees.

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, 2021, 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, 2022, was 0.80% 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 $111,740 for the year ended June 30, 2022.

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, 2022, for pension and OPEB benefits was $2,439,686.

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

At June 30, 2022, the District reported a liability of $2,207,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's proportion was 0.0931%, which was a decrease of 0.0035% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of $115,767. At June 30, 2022, 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	$ 21,000	$ -
Changes in assumptions	235,000	29,000
Net difference between projected and actual investment earnings	4,000	-
Changes in proportion	19,000	90,000
Contributions made subsequent to the measurement date	111,740	-
	$ 390,740	$ 119,000

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 $111,740 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, 2023. 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:

2023	$ 20,000
2024	20,000
2025	42,000
2026	32,000
2027	27,000
Thereafter	19,000
	$ 160,000

Actuarial Assumptions

The total OPEB liability as of June 30, 2021, was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

NOTE 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, 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

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

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

NOTE 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, 2021 is:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
U.S. Core fixed income	17.5%	0.7%
Non-U.S. developed fixed	2.7%	(0.3%)
	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. 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 2.18% which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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, 2021 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	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 2,206,000	$ 2,207,000	$ 2,207,000

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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.18%) or one-percentage point higher (3.18%) than the current rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	$ 2,532,000	$ 2,207,000	$ 1,938,000

OPEB Plan Fiduciary Net Position

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

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, 2022, the District had an accrued balance due to PSERS, including balances related to pension and OPEB of $1,883,719. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 2022.

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

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
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.

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.

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	8
Total	191

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of **June 30, 2021**, was determined by rolling forward the District's total OPEB liability as of July 1, 2020 to July 1, 2021, 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 - 2.28% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.
- 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 2021 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.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	$ 2,183,985
Changes for the year:	
Service cost	176,823
Interest	43,247
Changes of assumptions or other inputs	(73,627)
Benefit payments	(65,855)
Net changes	80,588
Balance at June 30, 2022	$ 2,264,573

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 (1.28%) or one-percentage point higher (3.28%) than the current discount rate:

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
OPEB Plan - Total OPEB liability	$ 2,442,329	$ 2,264,573	$ 2,095,827

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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB liability	$ 1,963,591	$ 2,264,573	$ 2,627,691

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

For the year ended June 30, 2022, the District recognized OPEB expense of $184,301. At June 30, 2022, 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
Changes in assumptions	$ 60,204	$ 120,894
Differences between expected and actual experience	-	333,883
Benefit payments made subsequent to the measurement date	77,636	-
	$ 137,840	$ 454,777

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 $77,636 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. 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:

2023	$ (35,769)
2024	(35,769)
2025	(35,769)
2026	(35,769)
2027	(35,769)
Thereafter	(215,728)
Total	$ (394,573)

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 2021/2022 year was $651,221.

Summary financial information as of June 30, 2021 (most recent information available) was as follows:

Berks Career & Technology Center (Governmental Activities)	
Total assets and deferred outflows of resources	$ 32,849,856
Total liabilities and deferred inflows of resources	31,170,792
Total net position	$ 1,679,064

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

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. 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 2021/2022 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, 2022 through June 30, 2027. The contractor provides all equipment 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, 2022, the District had a $4,720,983 contract relating to the High School Renovation project. As of June 30, 2022, $4,099,299 of costs have been incurred on this contract, leaving a commitment remaining of $621,684. Monies available in the capital projects fund will be used to cover this commitment.

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, 2022, are as follows:

General Fund
The general fund has nonspendable funds of $5,537 for prepaid expenditures; restricted funds of $28,752 for an education settlement; committed funds of $1,550,000 for athletic facility improvements, $200,000 for special education program, and $250,000 for curriculum; assigned funds of $251,736 for balancing the 2022/2023 budget; and unassigned funds of $3,029,658. The commitments were authorized by the school board of directors' motion to set aside resources. The assignment was authorized by the school board through adoption of the 2022/2023 general fund budget.

Capital Projects
The capital projects fund has restricted funds of $6,558,965 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 $147,534, consisting of $68,665 for donor restrictions, $59,402 for student activities, and $19,467 for scholarships.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 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.

- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of Statement No. 62* - The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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, 2022

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources:				
Real estate taxes	$ 21,266,410	$ 21,266,410	$ 22,122,397	$ 855,987
Other taxes	2,276,000	2,276,000	3,122,193	846,193
Earnings on investments	10,000	10,000	13,381	3,381
Revenue from student activities	2,500	2,500	6,060	3,560
Revenue from intermediate sources	280,000	280,000	294,346	14,346
Tuition	45,000	45,000	47,201	2,201
Other revenue	13,000	13,000	131,090	118,090
State sources	9,863,576	9,863,576	9,884,294	20,718
Federal sources	2,056,418	2,056,418	1,286,217	(770,201)
TOTAL REVENUES	35,812,904	35,812,904	36,907,179	1,094,275
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	15,448,630	15,448,630	13,960,702	1,487,928
Special programs - elementary/secondary	4,569,648	4,569,648	4,815,475	(245,827)
Vocational education	949,968	949,968	956,204	(6,236)
Other instructional programs - elementary/secondary	358,483	358,483	222,324	136,159
Nonpublic school programs	5,000	5,000	467	4,533
TOTAL INSTRUCTIONAL SERVICES	21,331,729	21,331,729	19,955,172	1,376,557
SUPPORT SERVICES:				
Students	1,270,137	1,270,137	1,264,223	5,914
Instructional staff	1,068,657	1,068,657	930,827	137,830
Administration	1,657,150	1,657,150	1,673,200	(16,050)
Pupil health	407,783	407,783	394,947	12,836
Business	528,819	528,819	535,607	(6,788)
Operation and maintenance of plant	2,694,198	2,694,198	2,617,950	76,248
Student transportation	1,456,919	1,456,919	1,434,394	22,525
Central	609,435	609,435	949,368	(339,933)
Other	27,000	27,000	27,284	(284)
TOTAL SUPPORT SERVICES	9,720,098	9,720,098	9,827,800	(107,702)

TULPEHOCKEN AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

Year Ended June 30, 2022

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
EXPENDITURES - CONTINUED				
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	445,549	445,549	554,583	(109,034)
Community services	15,972	15,972	7,405	8,567
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	461,521	461,521	561,988	(100,467)
DEBT SERVICE:				
Principal	2,320,000	2,320,000	2,347,336	(27,336)
Interest	304,556	304,556	307,657	(3,101)
TOTAL DEBT SERVICE	2,624,556	2,624,556	2,654,993	(30,437)
TOTAL EXPENDITURES	34,137,904	34,137,904	32,999,953	1,137,951
EXCESS OF REVENUES OVER EXPENDITURES	1,675,000	1,675,000	3,907,226	2,232,226
OTHER FINANCING USES				
Insurance recoveries	-	-	56,378	56,378
Transfers out	(1,500,000)	(1,500,000)	(3,250,000)	(1,750,000)
Budgetary reserve	(175,000)	(175,000)	-	175,000
TOTAL OTHER FINANCING USES	(1,675,000)	(1,675,000)	(3,193,622)	(1,518,622)
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	$ -	$ -	713,604	$ 713,604
FUND BALANCE - BEGINNING OF YEAR			4,602,079	
FUND BALANCE - END OF YEAR			$ 5,315,683	

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

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 2021/2022 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, 2022. 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.0931%	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	$ 38,224,000	$ 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	$ 13,198,385	$ 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	289.61%	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	63.67%	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 in benefit terms

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021

- The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 4,747,544	$ 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
Contributions in relation to the contractually required contribution	4,747,544	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
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 13,963,341	$ 13,198,385	$ 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	34.00%	33.68%	33.22%	32.72%	31.83%	29.31%	25.00%	20.73%	16.02%	11.50%

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

	2022	2021	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.0931%	0.0966%	0.0960%	0.0969%	0.0958%	0.0985%
District's proportionate share of the collective net PSERS OPEB liability	$ 2,207,000	$ 2,087,000	$ 2,042,000	$ 2,020,000	$ 1,952,000	$ 2,122,000
District's covered payroll	$ 13,198,385	$ 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	16.72%	15.40%	15.42%	15.48%	15.30%	16.64%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.30%	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 in benefit terms
None.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2021

- The Discount Rate decreased from 2.66% to 2.18%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total OPEB liability beginning June 30, 2016

- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

For each year presented, the discount rate is updated using the S&P 20-year Municipal Bond Rate.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 111,740	$ 108,767	$ 113,385	$ 110,347	$ 108,617	$ 106,275	$ 107,149	$ 115,520	$ 118,004	$ 107,155
Contributions in relation to the contractually required contribution	111,740	108,767	113,385	110,347	108,617	106,275	107,149	115,520	118,004	107,155
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 13,963,341	$ 13,198,385	$ 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	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.91%	0.93%	0.86%

TULPEHOCKEN AREA SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	$ 176,823	$ 175,036	$ 176,063	$ 178,251	$ 167,850
Interest	43,247	81,768	70,578	74,243	53,773
Differences between expected and actual experience	-	(283,203)	-	(136,138)	-
Changes in assumptions	(73,627)	2,576	(68,810)	590	93,624
Benefit payments	(65,855)	(110,672)	(112,772)	(124,944)	(99,357)
Net change in total OPEB liability	80,588	(134,495)	65,059	(7,998)	215,890
Total OPEB liability, beginning	2,183,985	2,318,480	2,253,421	2,261,419	2,045,529
Total OPEB liability, ending	$ 2,264,573	$ 2,183,985	$ 2,318,480	$ 2,253,421	$ 2,261,419
Covered Employee Payroll	$ 11,789,684	$ 11,789,684	$ 12,361,508	$ 12,361,508	$ 11,707,710
Total OPEB Liability as a Percentage of Covered Employee Payroll	19.21%	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, 2021 measurement date are as follows:

- The discount rate changed from 1.86% to 2.28%.

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, 2022

	Donor Restricted	Student Activity	Scholarship	Total Nonmajor Funds
ASSETS				
Cash and investments	$ 78,665	$ 50,626	$ 19,467	$ 148,758
Interfund receivables	-	10,000	-	10,000
TOTAL ASSETS	$ 78,665	$ 60,626	$ 19,467	$ 158,758
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Interfund payable	$ 10,000	$ -	$ -	$ 10,000
Accounts payable	-	1,224	-	1,224
TOTAL LIABILITIES	10,000	1,224	-	11,224
FUND BALANCES				
Restricted fund balance	68,665	59,402	19,467	147,534
TOTAL LIABILITIES AND FUND BALANCES	$ 78,665	$ 60,626	$ 19,467	$ 158,758

TULPEHOCKEN AREA SCHOOL DISTRICT

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

Year Ended June 30, 2022

	Donor Restricted	Student Activity	Scholarship	Total Nonmajor Funds
REVENUES				
Local sources	$ -	$ 130,529	$ 1,812	$ 132,341
EXPENDITURES				
Current:				
Instructional services	14,728	-	-	14,728
Operation of noninstructional services	-	129,112	2,660	131,772
TOTAL EXPENDITURES	14,728	129,112	2,660	146,500
NET CHANGE IN FUND BALANCES	(14,728)	1,417	(848)	(14,159)
FUND BALANCES - BEGINNING OF YEAR	83,393	57,985	20,315	161,693
FUND BALANCES - END OF YEAR	$ 68,665	$ 59,402	$ 19,467	$ 147,534

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

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, 2021	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education:									
Title I - Grants to Local Educational Agencies	I	84.010	013-22-0434	07/13/21 - 09/30/23	$ 369,449	$ 225,387	$ -	$ 263,480	$ 38,093
Title I - Grants to Local Educational Agencies	I	84.010	013-21-0434	07/01/20 - 09/30/21	356,967	95,077	15,170	79,907	-
Subtotal - ALN 84.010						320,464	15,170	343,387	38,093
Supporting Effective Instruction State Grant	I	84.367	020-22-0434	07/13/21 - 09/30/22	60,502	60,954	-	60,502	(452)
Supporting Effective Instruction State Grant	I	84.367	020-20-0434	07/16/19 - 09/30/20	61,126	211	211	-	-
Subtotal - ALN 84.367						61,165	211	60,502	(452)
Student Support and Academic Enrichment	I	84.424	144-22-0434	07/13/21 - 09/30/22	26,835	25,031	-	26,835	1,804
Student Support and Academic Enrichment	I	84.424	144-20-0434	07/16/19 - 09/30/20	27,360	10,944	14,592	-	3,648
Subtotal - ALN 84.424						35,975	14,592	26,835	5,452
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	3,898	(3,763)	7,661	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0434	03/13/20 - 09/30/21	296,480	46,813	29,954	16,859	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-0434	03/13/20 - 09/30/23	1,317,690	612,879	-	668,607	55,728
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	223-21-0434	03/13/20 - 09/30/24	2,665,305	193,840	-	2,100	(191,740)
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	225-21-0434	03/13/20 - 09/30/24	147,967	21,522	-	21,354	(168)
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	225-21-0434	03/13/20 - 09/30/24	29,593	4,304	-	250	(4,054)
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	225-21-0434	03/13/20 - 09/30/24	29,593	4,304	-	8,157	3,853
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	224-21-0434	03/13/20 - 09/30/24	33,342	1,819	-	-	(1,819)
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	41,040	40,988	52	-
Total Education Stabilization Fund						930,419	67,179	725,040	(138,200)
Passed through Carbon Lehigh Intermediate Unit:									
English Language Acquisition State Grants	I	84.365	010-210721	07/01/21 -09/30/22	7,345	7,345	-	7,345	-
Special Education Cluster (IDEA)									
Passed through the Berks County Intermediate Unit:									
Special Education - Preschool Grants	I	84.173	N/A	07/01/21 - 06/30/22	2,685	-	-	2,685	2,685
Special Education - Preschool Grants	I	84.173	N/A	07/01/20 - 06/30/21	2,415	2,415	2,415	-	-
Subtotal - ALN 84.173						2,415	2,415	2,685	2,685
Special Education - Grants to States	I	84.027	N/A	07/01/21 -09/30/22	277,525	-	-	277,525	277,525
Special Education - Grants to States	I	84.027	N/A	07/01/20 - 09/30/21	285,386	285,386	285,386		-
COVID-19 - American Rescue Plan - Grants to States	I	84.027X	N/A	07/01/21 -09/30/23	64,778	-	-	-	-
Passed through the Lancaster-Lebanon County Intermediate Unit:									
Special Education - Grants to States	I	84.027	062-210033	07/01/21 - 06/30/22	20,000	-	-	9,968	9,968
Special Education - Grants to States	I	84.027	062-220033	07/01/20 - 06/30/21	10,000	-	(4,168)	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	15,892	(3,606)	19,498	-
Subtotal - ALN 84.027						301,278	277,612	311,159	287,493
Total Special Education Cluster (IDEA)						303,693	280,027	313,844	290,178
TOTAL U.S. DEPARTMENT OF EDUCATION						1,659,061	377,179	1,476,953	195,071

See notes to schedule of expenditures of federal awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2022

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, 2021	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2022
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	07/01/21 - 06/30/22	3,073	1,125	-	3,073	1,948
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	3,876	2,638	2,638	-	-
TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						3,763	2,638	3,073	1,948
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	07/01/21 - 06/30/22	72,884	72,231	(14,550)	72,884	(13,897)
Passed through the Pennsylvania Department of Education:									
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	744,096	736,458	-	744,096	7,638
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	392,805	6,147	6,147	-	-
COVID-19 - Supply Chain Assistance	I	10.555	N/A	07/01/21 - 06/30/22	29,578	29,578	-	29,578	-
COVID-19 - SNP Emergency Operating Costs	I	10.555	N/A	07/01/21 - 06/30/22	13,442	13,442	-	13,442	-
Subtotal - ALN 10.555						857,856	(8,403)	860,000	(6,259)
COVID-19 - School Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	187,450	184,499	-	187,450	2,951
COVID-19 - School Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	119,529	3,896	3,896	-	-
Subtotal - ALN 10.553						188,395	3,896	187,450	2,951
TOTAL CHILD NUTRITION CLUSTER						1,046,251	(4,507)	1,047,450	(3,308)
Passed through Commonwealth of Pennsylvania Department of Education:									
COVID-19 - Pandemic EBT Administrative Costs	I	10.649	N/A	07/01/21 - 06/30/22	N/A	614	-	614	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,046,865	(4,507)	1,048,064	(3,308)
TOTAL FEDERAL AWARDS						$ 2,709,689	$ 375,310	$ 2,528,090	$ 193,711

I = Indirect Source of Funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2022.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

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, 2022. 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. The amount of ACCESS funding classified as fee-for-service was recognized for the year ended June 30, 2022 was $100,536.

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, 2022, the District had $13,897 of food commodity inventory.

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

To the Board of School Directors
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, 2022, 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 March 14, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

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Report on 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
March 14, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tulpehocken Area School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, 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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tulpehocken Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination Tulpehocken Area School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Tulpehocken Area School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tulpehocken Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tulpehocken Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tulpehocken Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Tulpehocken Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Tulpehocken Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
March 14, 2023

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.553	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?	____ yes	X no

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.

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Thomas L Kowalonek, PRSBO
Chief Financial Officer

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2021.

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.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

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.

Current Status
This finding has been corrected by management. No similar findings were noted in the 2022 audit.