



ANTIETAM SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2020



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INDEPENDENT AUDITOR'S REPORT

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**To the Board of School Directors
Antietam School District
Reading, Pennsylvania**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 76 through 80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Antietam School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
December 7, 2020**

ANTIETAM SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)

June 30, 2020

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

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

The District and Its Facilities

The Antietam School District serves an area of approximately 5.3 square miles. It is located in Berks County and consists of Lower Alsace Township and Mount Penn Borough. The population of this area is approximately 7,500.

The School District is comprised of three buildings. The Mount Penn Primary Center, opened in August 2005, houses grades K and 1. The Mount Penn Elementary Center houses grades 2 to 6, and the Middle-Senior High School houses grades 7 to 12.

The enrollment at Antietam School District for the 2019-2020 school year was 1,143 students, which was higher than the 1,122 enrolled for the 2018-2019 school year. Potential growth has been partially addressed with the 2005 renovations of the former Mt. Penn High School into a Primary Center and six additional classrooms being added to the Middle-Senior High School. The Primary Center had unused space that will accommodate more students, but additional renovations were required before the space would be usable. Renovations have been completed in the 2019-2020 school year and 2nd grade has been moved to this building for the 2020-21 school year.

FINANCIAL HIGHLIGHTS

In the last few years, GASB 68, 71 and 75 were implemented resulting in a deficit net position for Governmental activities. In the current year, the change in net position was a positive change of \$369,022 and \$121,738, respectively.

Taxes, which include property taxes, public utility realty, and earned income taxes, accounted for 55% of the District's total revenues, and program specific revenue in the form of charges, grants, entitlements and investment earnings accounted for 45% of total revenues.

General fund expenditures totaled \$20 million, of which \$12 million was spent on instructional services, \$5.7 million was spent on support services, \$.40 million was spent on non-instructional services, and \$1.9 million was spent on debt service.

The District had budgeted a \$1 million use of general fund balance but ended the year with a positive change in general fund balance of \$1,074,362 which is largely due to two \$650,000 state grants received.

FINANCIAL STATEMENTS

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Antietam School District. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Antietam School District's budget for the year.

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

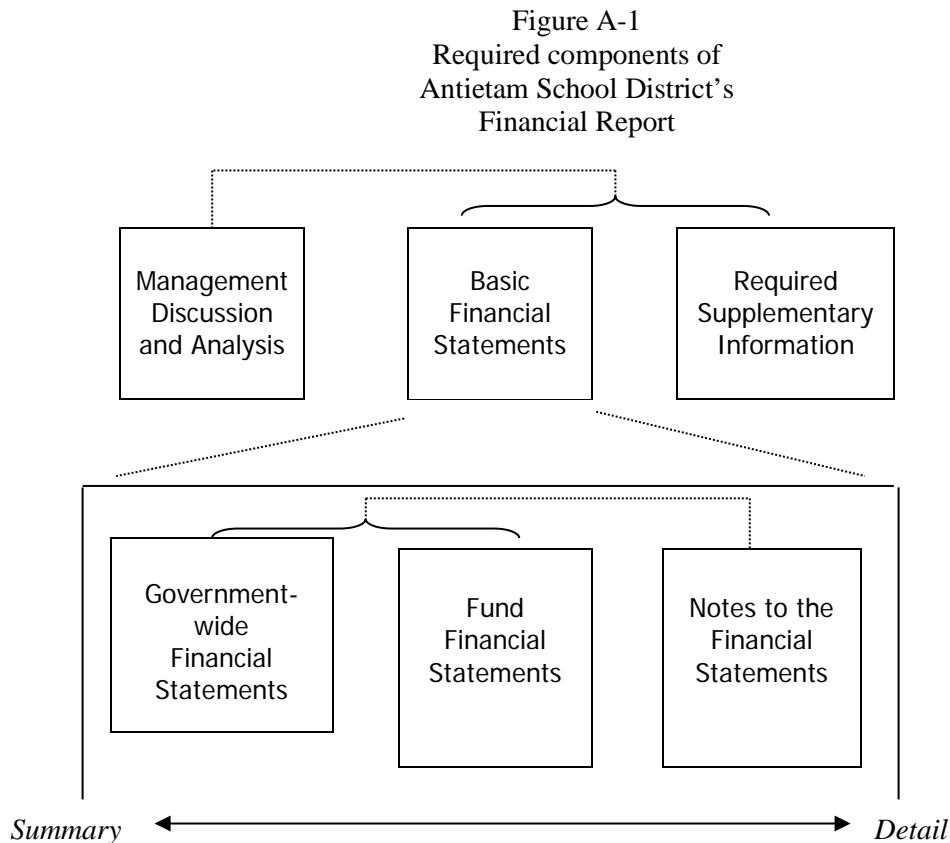


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows, liabilities and deferred inflows, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional factors, such as changes in the projected enrollment of the students.

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

- Governmental activities – Most of the District's basic services are included here, such as instruction, administration and community services. Taxes, state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff and students to help it cover the costs of the food service operation.

Fund Financial Statements

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

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The District's total net assets were (\$23,673,328) at June 30, 2020.

Table A-1
 Fiscal Years ended June 30, 2019 and June 30, 2020
 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 9,521,808	\$ 8,446,340	\$162,229	\$273,542	\$ 9,684,037	\$ 8,719,882
Capital assets	14,430,443	15,560,234	18,081	29,654	14,448,524	15,589,888
Total Assets	\$23,952,251	\$24,006,574	\$180,310	\$303,196	\$24,132,561	\$24,309,770
Deferred Outflows	5,085,140	4,064,712	0	0	5,085,140	4,064,712
Current liabilities	3,600,317	3,714,504	\$ 13,665	\$ 14,813	\$ 3,613,982	\$ 3,729,317
Long-term liabilities	49,233,325	46,473,521	0	0	49,233,325	46,473,521
Total Liabilities	\$52,833,642	\$50,188,025	\$ 13,665	\$ 14,813	\$52,847,307	\$50,202,838
Deferred Inflows	534,482	1,844,972	0	0	534,482	1,844,972
Net Assets						
Invested in capital assets, net of related debt	(\$2,317,367)	(\$2,844,791)	\$18,081	\$29,654	(\$2,299,286)	(\$2,815,137)
Restricted for capital projects	154,642	523,979	0	0	154,642	523,979
Restricted other	42,199	3,324	0	0	42,199	3,324
Unrestricted	(22,210,207)	(21,644,223)	148,564	258,729	(22,061,643)	(21,385,494)
Total Net Assets	(\$24,330,733)	(\$23,961,711)	\$166,645	\$288,383	(\$24,164,088)	(\$23,673,328)

A portion of the District's net position is invested in or restricted for capital assets (buildings, land, and equipment). The unrestricted portion of the District's net assets at June 30, 2020 is (\$21,385,494.)

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is taxes.

Table A-2 takes the information from that Statement and rearranges it slightly so you can see our total revenues for the year.

Table A-2
 Fiscal Years ended June 30, 2019 and June 30, 2020
 Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Revenues						
Program Revenue						
Charges for services	\$ 106,323	\$ 53,784	\$153,149	\$109,562	\$ 259,472	\$ 163,346
Operating grants & contributions	3,783,165	5,117,557	398,038	505,397	4,181,203	5,622,954
Capital grants and contributions	78,263	70,704	0	0	78,263	70,704
Extraordinary Items	0	0	468,224	0	468,224	0
General revenues	15,166,834	15,712,786	2,176	1,772	15,169,010	15,714,558
Total Revenues	\$19,134,585	\$20,954,831	\$1,021,587	\$616,731	\$20,156,172	\$21,571,562
Expenses						
Instruction	\$13,308,343	\$12,990,591	\$ 0	\$ 0	\$13,308,343	\$12,990,591
Instructional student support	1,871,565	1,628,327	0	0	1,871,565	1,628,327
Administrative and Financial Support Services	2,631,388	2,487,083	0	0	2,631,388	2,487,083
Operation & Maintenance of Plant Services	2,106,104	2,190,453	0	0	2,106,104	2,190,453
Pupil Transportation	282,114	272,638	0	0	282,114	272,638
Student Activities	420,203	398,784	0	0	420,203	398,784
Community Services	8,950	7,832	0	0	8,950	7,832
Interest on Long-Term Debt	602,866	610,101	0	0	602,866	610,101
Refund of Prior Year Revenue	0	0	0	0	0	0
Food Services	0	0	487,792	494,993	487,792	494,993
Total Expenses	\$21,231,533	\$20,585,809	\$487,792	\$494,993	\$21,719,325	\$21,080,802
Increase(Decrease) in Net Assets	(\$2,096,948)	\$369,022	\$533,795	\$121,738	(\$1,563,153)	\$490,760
Net Position (Deficit) – Beginning of Year	(22,233,785)	(24,330,733)	(367,150)	166,645	(22,600,935)	(24,164,088)
Net Position (Deficit) – End of Year	(\$24,330,733)	(\$23,961,711)	\$166,645	\$288,383	(\$24,164,008)	(\$23,673,328)

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's total cost of services and net cost (total cost less revenues generated by the activities) for each function. This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

Table A-3
 Fiscal Years ended June 30, 2019 and June 30, 2020
 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2019</u>	<u>2020</u>	<u>2019-20</u>	<u>2019</u>	<u>2020</u>	<u>2019-20</u>
Instruction	\$13,308,343	\$12,990,591	-2.39%	\$10,553,752	\$8,975,211	-14.96%
Instructional student support	1,871,565	1,628,327	-13.00%	1,442,172	1,127,463	-21.82%
Administrative and Financial Support Services	2,631,388	2,487,083	-5.48%	2,339,765	2,171,013	-7.21%
Operation & Maintenance of Plant Services	2,106,104	2,190,453	4.00%	1,918,698	2,063,082	7.53%
Pupil Transportation	282,114	272,638	-3.36%	110,226	109,383	-0.76%
Student Activities	420,203	398,784	-5.10%	365,949	350,488	-4.22%
Community Services	8,950	7,832	-12.49%	8,617	7,727	-10.33%
Interest on Long-Term Debt	602,866	610,101	1.20%	524,603	539,397	2.82%
Refund of Prior Year Revenue	0	0	0.00%	0	0	0.00%
	<u>\$21,231,533</u>	<u>\$20,585,809</u>	<u>-3.04%</u>	<u>\$17,263,782</u>	<u>\$15,343,764</u>	<u>-11.12%</u>

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

Table A-4
 Fiscal Years ended June 30, 2019 and June 30, 2020
 Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost (Surplus) of Services		Percentage Change
	<u>2019</u>	<u>2020</u>	<u>2019-20</u>	<u>2019</u>	<u>2020</u>	<u>2019-20</u>
Food Services	<u>\$487,792</u>	<u>\$494,993</u>	<u>3.17%</u>	<u>(63,395)</u>	<u>(\$121,738)</u>	<u>89.24%</u>

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

Fund Balances

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$5,729,058, which is a decrease of \$1,270,436 from June 30, 2019. This decrease was due to various capital project expenses during the year, as well as budgeted fund balance usage to balance the 2019-20 budget. We were fortunate to not need to use the full amount budgeted, which is due to revenue variances. The District received an increase in Earned

Income Tax, Real Estate Transfer Tax, receipts from other LEAs, and state subsidies. Additionally, the district received two unbudgeted grants from the state which made a significant increase to the revenues for 2019-20.

General Fund:

The unassigned fund balance of \$1,687,865 is 7.82% of the 2020-2021 general fund expenditures. The committed fund balance of \$1,499,263 will be used primarily for future retirement costs, which are projected to increase from 34.51% of salaries in 2020-2021 to 35.84% of salaries in 2022-2023. There is also an assigned fund balance of \$1,955,891 which will be used to balance the 20/21 budget.

Capital Projects Fund:

The restricted fund balance of \$581,881 will be used for the repair, maintenance, and replacement of the District's capital assets on a prioritized basis, as approved by the Board of School Directors.

General Fund Budget

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. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for unplanned expenditures. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unreserved fund balance and available for future years' budgeting.

The largest variances for revenue are from state sources. Actual revenue came in \$1,766,535 over budget which was largely due to two unbudgeted state grants totaling \$1,300,000. Actual expenditures were largely in line with budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$15,560,234 in governmental activities and \$29,654 in business-type activities invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table A-5
 Governmental and Business-Type Activities
 Fiscal years ended June 30, 2019 and June 30, 2020
 Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	97,528	88,372	0	0	97,528	88,372
Buildings and Building Improvements	12,727,629	14,141,548	0	0	12,727,629	14,141,548
Fixtures and Equipment	749,882	838,230	18,081	29,654	767,963	867,884
Construction in Progress	<u>545,348</u>	<u>182,028</u>	<u>0</u>	<u>0</u>	<u>545,348</u>	<u>182,028</u>
	<u>\$ 14,430,443</u>	<u>\$ 15,560,234</u>	<u>\$18,081</u>	<u>\$29,654</u>	<u>\$14,448,524</u>	<u>\$15,589,888</u>

See note 7 to the basic financial statements for more detailed information on capital assets.

Debt Administration

Bond Obligations – As of June 30, 2019 and June 30, 2020 the Antietam School District had outstanding bond obligations of \$19,373,000 and \$18,332,000, respectively.

Leases – The District has entered into two capital leases for technology equipment and four operating leases for copiers.

Other obligations include accrued vacation pay and sick leave (compensated absences) for specific employees of the District. Also includes the net pension liability and net other postemployment benefit obligations.

See Note 8 to the basic financial statements for more detailed information on debt administration.

FACTORS BEARING ON ANTIETAM SCHOOL DISTRICT'S FUTURE

Factors that will affect the future finances of the District are employee health benefits, PSERS retirement rates (2020-2021 actual: 34.51%; 2021-2022 projected: 34.95%; and 2022-2023 projected: 35.62%), collective bargaining agreements with the Education Association, and future funding by the Pennsylvania Department of Education.

The global pandemic due to the novel corona virus (COVID-19) is expected to continue well into the 2020-21 school year. Local revenues budgeted for 2020-21 were reduced due to anticipated economic downturn. State funding is projected to be level with current year. Funding through a number of anticipated and unanticipated grants has provided some resources to help the District procure the technology necessary to provide remote instruction as needed. With the uncertainty and expected shortfall of revenues and increasing costs, the District increased the tax millage for 2020-21 by 1.55 mills. Even with the millage increase, a usage of \$1,955,891 of general fund balance for 2020-21 is budgeted.

CONTACTING THE SCHOOL FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of School Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Antietam School District, 100 Antietam Road, Reading, PA 19606.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 6,997,289	\$ 196,908	\$ 7,194,197
Restricted cash	3,324	-	3,324
Taxes receivable, net	594,985	-	594,985
Internal balances	(21,970)	21,970	-
Intergovernmental receivables	837,080	44,890	881,970
Other receivables	34,798	10	34,808
Inventories	-	8,343	8,343
Prepaid expenses	834	1,421	2,255
Capital assets not being depreciated	492,084	-	492,084
Capital assets, net of accumulated depreciation	15,068,150	29,654	15,097,804
TOTAL ASSETS	24,006,574	303,196	24,309,770
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	321,426	-	321,426
Deferred outflows of resources for pension	3,505,846	-	3,505,846
Deferred outflows of resources for other postemployment benefits	237,440	-	237,440
TOTAL DEFERRED OUTFLOW OF RESOURCES	4,064,712	-	4,064,712
LIABILITIES			
Intergovernmental payables	139,185	-	139,185
Accounts payable	471,710	4,184	475,894
Accrued interest	144,633	-	144,633
Accrued salaries and benefits	1,609,883	-	1,609,883
Unearned revenues	6,291	10,629	16,920
Other current liabilities	10,185	-	10,185
Noncurrent liabilities, due within one year	1,332,617	-	1,332,617
Noncurrent liabilities:			
Bonds and notes payable, net	17,457,529	-	17,457,529
Capital leases payable	105,574	-	105,574
Long-term portion of compensated absences	146,208	-	146,208
Net pension liability	26,479,000	-	26,479,000
Net other postemployment benefit liabilities	2,285,210	-	2,285,210
TOTAL LIABILITIES	50,188,025	14,813	50,202,838
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	1,680,000	-	1,680,000
Deferred inflows of resources for other postemployment benefits	164,972	-	164,972
TOTAL DEFERRED INFLOW OF RESOURCES	1,844,972	-	1,844,972
NET POSITION			
Net investment in capital assets	(2,844,791)	29,654	(2,815,137)
Restricted for capital projects	523,979	-	523,979
Restricted other	3,324	-	3,324
Unrestricted (deficit)	(21,644,223)	258,729	(21,385,494)
TOTAL NET POSITION (DEFICIT)	\$ (23,961,711)	\$ 288,383	\$ (23,673,328)

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 12,990,591	\$ 43,197	\$ 3,972,183	\$ -	\$ (8,975,211)	\$ -	\$ (8,975,211)
Instructional student support	1,628,327	-	500,864	-	(1,127,463)	-	(1,127,463)
Administrative and financial support services	2,487,083	-	316,070	-	(2,171,013)	-	(2,171,013)
Operation and maintenance of plant services	2,190,453	760	126,611	-	(2,063,082)	-	(2,063,082)
Pupil transportation	272,638	-	163,255	-	(109,383)	-	(109,383)
Student activities	398,784	9,827	38,469	-	(350,488)	-	(350,488)
Community services	7,832	-	105	-	(7,727)	-	(7,727)
Interest on long-term debt	610,101	-	-	70,704	(539,397)	-	(539,397)
Total Governmental Activities	20,585,809	53,784	5,117,557	70,704	(15,343,764)	-	(15,343,764)
Business-Type Activities							
Food services	494,993	109,562	505,397	-	-	119,966	119,966
Total Primary Government	\$ 21,080,802	\$ 163,346	\$ 5,622,954	\$ 70,704	(15,343,764)	119,966	(15,223,798)
General Revenues							
Taxes:							
Property taxes					10,402,161	-	10,402,161
Public utility Realty, earned income and mercantile taxes					1,112,135	-	1,112,135
Grants, subsidies, and contributions not restricted for specific programs					4,013,426	-	4,013,426
Investment earnings					145,550	1,772	147,322
Miscellaneous revenue					39,514	-	39,514
Total General Revenues					15,712,786	1,772	15,714,558
Change in Net Position					369,022	121,738	490,760
Net Position (Deficit) - Beginning of Year					(24,330,733)	166,645	(24,164,088)
Net Position (Deficit) - End of Year					\$ (23,961,711)	\$ 288,383	\$ (23,673,328)

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 6,215,530	\$ 781,759	\$ 6,997,289
Restricted cash	3,324	-	3,324
Taxes receivable	604,849	-	604,849
Interfund receivable	-	53,889	53,889
Intergovernmental receivables	837,080	-	837,080
Other receivables	34,798	-	34,798
Prepaid expenditures	834	-	834
	<u>7,696,415</u>	<u>835,648</u>	<u>8,532,063</u>
TOTAL ASSETS	\$ 7,696,415	\$ 835,648	\$ 8,532,063
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Interfund payable	\$ 75,859	\$ -	\$ 75,859
Intergovernmental payables	139,185	-	139,185
Accounts payable	217,943	253,767	471,710
Accrued salaries and benefits	1,609,883	-	1,609,883
Unearned revenues	6,291	-	6,291
Other liabilities	6,861	-	6,861
	<u>2,056,022</u>	<u>253,767</u>	<u>2,309,789</u>
TOTAL LIABILITIES	2,056,022	253,767	2,309,789
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	493,216	-	493,216
FUND BALANCES			
Nonspendable	834	-	834
Restricted	3,324	581,881	585,205
Committed	1,499,263	-	1,499,263
Assigned	1,955,891	-	1,955,891
Unassigned	1,687,865	-	1,687,865
	<u>5,147,177</u>	<u>581,881</u>	<u>5,729,058</u>
TOTAL FUND BALANCES	5,147,177	581,881	5,729,058
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,696,415	\$ 835,648	\$ 8,532,063

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

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

June 30, 2020

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,729,058

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 \$41,534,127 and the accumulated depreciation is \$25,973,893. 15,560,234

Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts. 483,352

Long-term liabilities, including bonds and notes payable and capital lease 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 and notes payable	\$ (18,332,000)	
Accrued interest on bonds	(144,633)	
Unamortized bond premium	(183,529)	
Deferred charge on bond refunding	321,426	
Capital leases payable	(268,825)	
Compensated absences	(257,574)	
Settlement claims	(3,324)	(18,868,459)

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements. (24,653,154)

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. (2,212,742)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES \$ (23,961,711)

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	\$ 11,517,815	\$ 30,824	\$ 11,548,639
State sources	8,998,763	-	8,998,763
Federal sources	358,240	-	358,240
TOTAL REVENUES	20,874,818	30,824	20,905,642
EXPENDITURES			
Current:			
Instructional services	12,032,898	101,432	12,134,330
Support services	5,692,530	-	5,692,530
Operation of noninstructional services	396,011	-	396,011
Capital outlay	-	2,274,190	2,274,190
Debt service:			
Principal	1,296,324	-	1,296,324
Interest	585,487	-	585,487
Refund of prior year revenue	21,966	-	21,966
TOTAL EXPENDITURES	20,025,216	2,375,622	22,400,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	849,602	(2,344,798)	(1,495,196)
OTHER FINANCING SOURCES			
Proceeds from capital lease	224,760	-	224,760
NET CHANGE IN FUND BALANCES	1,074,362	(2,344,798)	(1,270,436)
FUND BALANCES - BEGINNING OF YEAR	4,072,815	2,926,679	6,999,494
FUND BALANCES - END OF YEAR	\$ 5,147,177	\$ 581,881	\$ 5,729,058

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,270,436)

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

Capital outlays	\$ 2,639,591	
Less: depreciation expense	<u>(1,509,800)</u>	1,129,791

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. 71,155

Decrease in long-term settlement claims expense in other liabilities. 38,875

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 and note principal	1,041,000	
Amortization of bond premium	19,210	
Amortization of deferred charge on bond refunding	(33,854)	
Capital lease obligations incurred	(224,760)	
Payments on capital lease obligations	<u>255,324</u>	1,056,920

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. (9,970)

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	(20,768)	
Net pension liability and related deferred outflows and inflows	(587,216)	
Net OPEB liability and related deferred outflows and inflows	<u>(39,329)</u>	<u>(647,313)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 369,022

ANTIETAM SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2020

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 196,908
Interfund receivable	21,970
Intergovernmental receivables	44,890
Other receivables	10
Inventories	8,343
Prepaid expenditures	1,421
TOTAL CURRENT ASSETS	273,542
NONCURRENT ASSETS	
Furniture and equipment, net	29,654
TOTAL ASSETS	303,196
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	4,184
Unearned revenues	10,629
TOTAL LIABILITIES	14,813
NET POSITION	
Investment in capital assets	29,654
Unrestricted net position	258,729
TOTAL NET POSITION	\$ 288,383

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

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
OPERATING REVENUES	
Food service revenue	\$ 109,562
TOTAL OPERATING REVENUES	109,562
OPERATING EXPENSES	
Salaries	32,906
Employee benefits	16,411
Purchased professional and technical services	172,453
Purchased property services	14,818
Supplies	253,758
Depreciation	4,647
TOTAL OPERATING EXPENSES	494,993
OPERATING LOSS	(385,431)
NONOPERATING REVENUES	
Earnings on investments	1,772
State sources	18,045
Federal sources	487,352
TOTAL NONOPERATING REVENUES	507,169
CHANGE IN NET POSITION	121,738
NET POSITION - BEGINNING OF YEAR	166,645
NET POSITION - END OF YEAR	\$ 288,383

ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2020

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from users	\$ 100,771
Payments to employees for services	(49,317)
Payments to suppliers for goods and services	<u>(403,920)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(352,466)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	18,221
Federal sources	<u>412,393</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	430,614
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(16,220)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>1,772</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,700
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>133,208</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 196,908</u></u>

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

	Enterprise Fund Food Service
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating loss	\$ (385,431)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,647
Donated commodities used	35,363
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Interfund receivable	(10,330)
Other receivables	(10)
Inventories	4,131
Prepaid expenditures	(1,421)
Interfund payable	(563)
Accounts payable	(401)
Unearned revenues	1,549
Total adjustments	32,965
NET CASH USED FOR OPERATING ACTIVITIES	\$ (352,466)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$35,363 of commodities from the U.S. Department of Agriculture.

ANTIETAM SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds (Student Activities)</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	<u>\$ 5,644</u>	<u>\$ 68,610</u>
TOTAL ASSETS	<u>5,644</u>	<u>\$ 68,610</u>
LIABILITIES		
CURRENT LIABILITIES		
Other current liabilities	<u>-</u>	<u>\$ 68,610</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 68,610</u>
NET POSITION HELD IN TRUST	<u>\$ 5,644</u>	

ANTIETAM SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2020

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions	\$ -
DEDUCTIONS	
Scholarships	<u>1,100</u>
	CHANGE IN NET POSITION (1,100)
NET POSITION - BEGINNING OF YEAR	<u>6,744</u>
	NET POSITION - END OF YEAR <u><u>\$ 5,644</u></u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Antietam School District (the "District") is located in Berks County, Pennsylvania. The District's tax base consists of Lower Alsace Township and the Borough of Mount Penn. The Antietam School District is governed by a board of nine school directors who are residents of the 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 are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Antietam 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 an organization 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, the 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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 11 for details of involvement and financial information of the joint venture.

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

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

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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

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

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's Capital Projects Fund consists of:

Capital Reserve Component - This component was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

Construction Component - The District established the construction component with the series 2017 GOB bond issues, which provided resources to fund various capital projects of the District.

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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the District Reports the Following Fund Type:

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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

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

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

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

E. Budgetary Process

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option

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

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

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

Board Resolution Option

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 stated 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, utilize the purchase method; that is, they are charged to expenditures when purchased.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. As of June 30, 2020, the cost of these inventories was \$8,343.

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 expenditures/expenses when consumed rather than when purchased.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization

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

The District generally capitalizes assets with costs of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 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	45
Building improvements	7 - 30
Land improvements	15 - 20
Furniture and equipment	3 - 15

6. Valuation of Long-Lived Assets

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

7. Unearned Revenues

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

8. Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days 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 government-wide financial statements and is expensed as incurred.

9. Long-Term Obligations

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

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

10. Pension

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Pension - continued

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 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:

PSERS OPEB Plan

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

District OPEB Plan

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 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 inflow.

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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

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

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 superintendent and business manager 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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

The District will strive to maintain an unassigned general fund balance of not less than 6% and not more than 8% of the budgeted expenditures for that fiscal year set by board resolution.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District's policy does not dictate whether restricted or unrestricted is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first, followed by the unrestricted categories. The District's policy also places no restrictions on the order of the unrestricted fund balances used. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts.

G. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Deficit Fund Balance or Net Position of Individual Funds

No individual funds had a deficit fund balance or net position.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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

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

Petty cash	\$ 450
Demand deposit accounts	8,861
Pooled cash and investments	<u>7,262,464</u>
	<u>\$ 7,271,775</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. As of June 30, 2020, the carrying amount of the District's deposits was \$8,861 and the bank balance was \$8,861. The entire bank balance of \$8,861 was covered by federal depository insurance.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

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

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 4,000,000	\$ 4,000,000
MAX Account Balance		629,983	629,983
PA Local Government Investment Trust (PLGIT):			
PLGIT - Class		2,330,874	2,330,874
PLGIT/I - Class		<u>598,272</u>	<u>598,272</u>
	Total		7,559,129
Less: reconciling items			<u>(296,665)</u>
	Total investments		<u>\$ 7,262,464</u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$7,559,129 (PLGIT and 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 Local Government Investment Trust and the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDLAF Full Flex Pool, as part of the Fixed-Income Series at PSDLAF, is 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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

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.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT - Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

PLGIT/I - Class Shares are an option in which the shares are invested and redeemed by the investor only through PLGIT's Easy Online Network ("EON"), the Trust's online account access system. This option requires a minimum initial investment of \$50,000 and limits redemptions and exchanges to two per calendar month. However, there is no minimum investment period.

As of June 30, 2020, the entire PLGIT and PSDLAF book balance of \$7,262,464 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District has an investment policy that would limit its exposure to fair value losses arising from increasing interest rates. The District limits its interest rate risk through participation in investment pools.

Credit Risk

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the District's investments were rated as:

Investment	Standard & Poor's
PA School District Liquid Asset Fund	AAAm
PA Local Government Investment Trust	AAA

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. District investments in authorized instruments not backed by the federal or state government shall be limited to the two highest applicable credit ratings. All other investments require board notification.

Custodial Credit Risk

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

Restricted Cash

Included in pooled cash and investments is \$3,324 of restricted cash set aside to meet the terms of a special education settlement agreement (see Note 13).

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$256,307,500. In accordance with Act 1 of 2006, the District received \$456,532 in property tax reduction funds for the 2019/2020 fiscal year. The District's tax rate for the year ended June 30, 2020, was \$40.99 per \$1,000 of assessed valuation. The schedule for real estate taxes levied for each fiscal year is 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. |

Installment payments of the face amount of the property tax can be made by the following dates - July 31, September 15, October 31, and December 15.

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 unavailable in the fund financial statements.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

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

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate	\$ 541,977	\$ 9,864	\$ 532,113	\$ 48,761	\$ 493,216
Transfer tax	3,185	-	3,185	3,185	-
Earned income tax	59,687	-	59,687	59,687	-
	<u>\$ 604,849</u>	<u>\$ 9,864</u>	<u>\$ 594,985</u>	<u>\$ 111,633</u>	<u>\$ 493,216</u>

NOTE 5 - INTERFUND RECEIVABLES/PAYABLES

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 75,859
Capital Projects Fund	53,889	-
Enterprise Fund - Food Service	21,970	-
	<u>\$ 75,859</u>	<u>\$ 75,859</u>

Interfund receivables and payables resulted from the time lag between dates that interfund goods and services were provided and when payments between funds are made. All will be paid within one year.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

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

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Fund Food Service</u>
Receivables		
Commonwealth of Pennsylvania:		
Retirement	\$ 439,122	\$ -
Social Security	91,029	-
Rental Subsidy	70,704	-
Berks County Intermediate Unit - Special Education	83,078	-
Other Local Education Agencies	56,649	-
Federal Subsidies:		
Title I Grants to Local Education Agencies	63,104	-
English Language Acquisition State Grants	33,394	-
COVID 19 - Child Nutrition Cluster	-	44,890
	<u> -</u>	<u>44,890</u>
Total Intergovernmental Receivables	<u>\$ 837,080</u>	<u>\$ 44,890</u>
Payables		
Berks County Intermediate Unit	\$ 32,506	\$ -
Mount Penn Borough Municipal Authority	3,679	-
United States Treasury	25	-
Other Local Education Agencies	102,975	-
	<u>102,975</u>	<u>-</u>
Total Intergovernmental Payables	<u>\$ 139,185</u>	<u>\$ -</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - CHANGES IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Reclass/ Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 310,056	\$ -	\$ -	\$ 310,056
Construction in progress	545,348	1,894,606	(2,257,926)	182,028
Totals not being depreciated	<u>855,404</u>	<u>1,894,606</u>	<u>(2,257,926)</u>	<u>492,084</u>
Capital assets being depreciated:				
Buildings and building improvements	33,248,182	397,561	2,257,926	35,903,669
Land improvements	183,115	-	-	183,115
Furniture and equipment	4,610,735	347,424	(2,900)	4,955,259
Totals being depreciated	<u>38,042,032</u>	<u>744,985</u>	<u>2,255,026</u>	<u>41,042,043</u>
Less accumulated depreciation for:				
Buildings and building improvements	20,520,553	1,241,568	-	21,762,121
Land improvements	85,587	9,156	-	94,743
Furniture and equipment	3,860,853	259,076	(2,900)	4,117,029
Total accumulated depreciation	<u>24,466,993</u>	<u>1,509,800</u>	<u>(2,900)</u>	<u>25,973,893</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>13,575,039</u>	<u>(764,815)</u>	<u>2,257,926</u>	<u>15,068,150</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 14,430,443</u>	<u>\$ 1,129,791</u>	<u>\$ -</u>	<u>\$ 15,560,234</u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 322,169	\$ 16,220	\$ -	\$ 338,389
Less accumulated depreciation for:				
Furniture and equipment	<u>304,088</u>	<u>4,647</u>	<u>-</u>	<u>308,735</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 18,081</u>	<u>\$ 11,573</u>	<u>\$ -</u>	<u>\$ 29,654</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instruction	\$ 780,665
Instructional student support	33,563
Administrative and financial support services	63,257
Operation and maintenance of plant services	603,981
Pupil transportation	26,543
Student activities	<u>1,791</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,509,800</u>

NOTE 8 - LONG-TERM LIABILITIES

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

Bonds and notes payable are as follows at June 30, 2020:

General Obligation Bonds, Series A of 2012

The General Obligation Bonds, Series A of 2012, aggregate principal of \$2,565,000, were issued May 18, 2012, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2007, and (2) pay bond issuance costs. The bonds mature from August 2012 to August 2021. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 0.350% to 3.000%. The economic gain or loss on refunding was immaterial.

\$ 585,000

General Obligation Bonds, Series 2015

The General Obligation Bonds, Series of 2015, aggregate principal of \$8,055,000, were issued September 15, 2015, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2014B and advance refund a portion of the outstanding General Obligation Bonds, Series 2011, and (2) pay bond issuance costs. The bonds mature from April 2016 to April 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1% to 3%. The District realized a savings of \$176,115 as a result of the refunding.

5,635,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Note, Series 2016

The General Obligation Note, Series of 2016, aggregate principal of \$1,890,000, was issued June 9, 2016, for the purpose of providing funds to: (1) currently refund a portion of the outstanding General Obligation Bonds, Series of 2011, and (2) pay bond issuance costs. The bonds mature from June 2016 to September 2024. Interest is payable semi-annually in March and September. Interest is 2.19%. The economic gain or loss on refunding was immaterial.

1,857,000

General Obligation Bonds, Series of 2017

The General Obligation Bonds, Series of 2017, aggregate principal of \$7,700,000, were issued February 1, 2017, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2012, (2) fund various capital projects, and (3) pay bond issuance costs. The bonds mature from April 2017 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.92% to 4.00%. The District realized a net present value savings of \$112,265 as a result of the refunding.

6,790,000

General Obligation Bonds, Series of 2018

The General Obligation Bonds, Series of 2018, aggregate principal of \$3,490,000, were issued May 15, 2018, for the purpose of providing funds to: (1) fund various capital projects and (2) pay bond issuance costs. The bonds mature from April 2019 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.95% to 4.00%.

3,465,000

Total bonds and notes payable

\$ 18,332,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all outstanding bonds and notes payable are as follows:

	General Obligation Bonds Series A of 2012	General Obligation Bonds Series 2015	Direct Borrowings General Obligation Note Series 2016	General Obligation Bonds Series 2017
2021	\$ 290,000	\$ 530,000	\$ 33,000	\$ 200,000
2022	295,000	545,000	32,000	205,000
2023	-	650,000	237,000	210,000
2024	-	105,000	809,000	215,000
2025	-	190,000	746,000	220,000
2026 - 2030	-	3,615,000	-	2,565,000
2031 - 2034	-	-	-	3,175,000
	<u>\$ 585,000</u>	<u>\$ 5,635,000</u>	<u>\$ 1,857,000</u>	<u>\$ 6,790,000</u>
	General Obligation Bonds Series 2018	Total General Long- Term Debt	Total Interest	
2021	\$ 5,000	\$ 1,058,000	\$ 558,832	
2022	5,000	1,082,000	535,605	
2023	5,000	1,102,000	512,432	
2024	5,000	1,134,000	481,295	
2025	5,000	1,161,000	456,269	
2026 - 2030	25,000	6,205,000	1,851,925	
2031 - 2034	3,415,000	6,590,000	784,690	
	<u>\$ 3,465,000</u>	<u>\$ 18,332,000</u>	<u>\$ 5,181,048</u>	

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Capital Lease Obligations

The District is obligated under capital leases for certain computer equipment. The gross amount of such equipment and related accumulated amortization under these capital leases was as follows as of June 30, 2020:

Cost	\$ 2,141,634
Accumulated depreciation	<u>1,821,164</u>
Net book value	<u><u>\$ 320,470</u></u>

Depreciation expense on assets held under capital leases was \$286,263 for the year ended June 30, 2020.

Future minimum lease payments under capital lease obligations are as follows:

2021		\$ 169,676
2022		<u>108,513</u>
	Total minimum lease payments	278,189
	Less imputed interest	<u>(9,364)</u>
		268,825
	Less current installments of obligations under capital leases	<u>(163,251)</u>
	Obligations under capital leases, excluding current installments	<u><u>\$ 105,574</u></u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
Bonds payable	\$ 17,485,000	\$ -	\$ 1,010,000	\$ 16,475,000	\$ 1,025,000
Premiums	202,739	-	19,210	183,529	-
Total bonds payable	<u>17,687,739</u>	-	<u>1,029,210</u>	<u>16,658,529</u>	<u>1,025,000</u>
Direct Borrowings					
Notes payable	<u>1,888,000</u>	-	<u>31,000</u>	<u>1,857,000</u>	<u>33,000</u>
Bonds and notes payable, net	<u>19,575,739</u>	-	<u>1,060,210</u>	<u>18,515,529</u>	<u>1,058,000</u>
Capital leases	299,389	224,760	255,324	268,825	163,251
Compensated absences	236,806	134,024	113,256	257,574	111,366
Net pension liability	28,131,000	915,503	2,567,503	26,479,000	-
Net other postemployment benefit liabilities	<u>2,303,729</u>	<u>183,279</u>	<u>201,798</u>	<u>2,285,210</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 50,546,663</u>	<u>\$ 1,457,566</u>	<u>\$ 4,198,091</u>	<u>\$ 47,806,138</u>	<u>\$ 1,332,617</u>

Payments on bonds and notes payable and capital leases are made by the general fund. Total interest paid during the year ended June 30, 2020, was \$585,487. 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 fund. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general fund.

Events of Default

The District's general obligation bonds and notes 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.

Subsequent Event

Subsequent to year end in July 2020, the District issued General Obligation Bonds, Series of 2020 in the principal amount of \$9,410,000. Interest payments are due semi-annually at varying rates between 1% and 4%. Annual principal payments are due on April 1, 2021, through maturity in 2036. Proceeds were used to currently refund the District's outstanding General Obligation Bonds, Series of 2015 and General Obligation Note, Series of 2016, fund various capital projects, and pay the costs of issuing the bond. The District realized a savings of \$101,596 as a result of the refunding.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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.

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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

Changes in benefit terms:

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

Contributions

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

Member Contributions:

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

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

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$2,514,055 for the year ended June 30, 2020.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represent 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020, for pension and OPEB benefits was \$1,750,751.

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

At June 30, 2020, the District reported a liability of \$26,479,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018, to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0566%, which was a decrease of 0.0020% from its proportion measured as of June 30, 2019.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2020, the District recognized pension expense of \$3,101,271. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual investment earnings	\$ -	\$ 76,000
Difference between expected and actual experience	146,000	878,000
Changes in proportions - plan level	545,000	726,000
Changes in assumptions	253,000	-
Difference between employer contributions and proportionate share of total contributions	47,791	-
Contributions made subsequent to the measurement date	<u>2,514,055</u>	<u>-</u>
	<u>\$ 3,505,846</u>	<u>\$ 1,680,000</u>

The \$2,514,055 deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	\$ 247,003
2022	(493,268)
2023	(495,442)
2024	53,498
	<u>\$ (688,209)</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

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

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

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

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

Discount Rate

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	<u>1% Decrease</u> 6.25%	<u>Discount Rate</u> 7.25%	<u>1% Increase</u> 8.25%
District's proportionate share of the net pension liability	\$ 32,982,000	\$ 26,479,000	\$ 20,972,000

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$874,503. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2020.

Pension Reform - Commonwealth of Pennsylvania Act 5 of 2017

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the District were \$6,783 for the year ended June 30, 2020.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

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

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 1,204,000	\$ 138,304	\$ 73,000
District OPEB Plan	<u>1,081,210</u>	<u>99,136</u>	<u>91,972</u>
Total	<u>\$ 2,285,210</u>	<u>\$ 237,440</u>	<u>\$ 164,972</u>

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS 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, 2019, there were no assumed future benefit increases to participating eligible retirees.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

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

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$63,304 for the year ended June 30, 2020.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions - continued

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represent 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020 for pension and OPEB benefits was \$1,750,751.

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

At June 30, 2020, the District reported a liability of \$1,204,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0566%, which was a decrease of 0.0020% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$57,369. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 40,000	\$ 36,000
Net difference between projected and actual investment earnings	2,000	-
Differences between expected and actual experience	7,000	-
Changes in proportion	26,000	37,000
Contributions made subsequent to the measurement date	63,304	-
	\$ 138,304	\$ 73,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

The \$63,304 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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	\$ (1,000)
2022	(1,000)
2023	(1,000)
2024	8,000
Thereafter	<u>(3,000)</u>
	<u>\$ 2,000</u>

Actuarial Assumptions

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

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.02%
US Core Fixed Income	83.1%	1.00%
Non-US Developed Fixed	3.7%	0.00%
	<u>100.0%</u>	

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Discount Rate

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

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

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

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

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
District's proportionate share of the net OPEB liability	\$ 1,204,000	\$ 1,204,000	\$ 1,204,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

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

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

	<u>1% Decrease</u> 1.79%	<u>Current</u> Discount Rate 2.79%	<u>1% Increase</u> 3.79%
District's proportionate share of the net OPEB liability	\$ 1,371,000	\$ 1,204,000	\$ 1,065,000

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS of \$874,503, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2020.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

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

Benefits Provided

The District classifies employees in the following categories: Employees Retired in 2007 and Employees Retired after 2007. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

Employees Retired in 2007:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
N/A - Already retired	<p>Medical and Prescription Drug Coverage for Retiree and Spouse paid by the District until the earlier of July 1, 2012, or Retiree Medicare eligibility. Retiree and Spouse may continue coverage until Medicare eligibility by paying the full premium</p> <p>Retiree and Spouse may continue Dental and Vision coverage by paying the full premium</p>	<p>Coverage under the District's subsidized benefit is provided until July 1, 2012 or Retiree Medicare eligibility, whichever is earlier. Coverage may continue until Retiree Medicare eligibility, given that the Retiree pays the full premium. Spouse coverage ends at Spouse Medicare eligibility if earlier than above.</p> <p>If the Retiree dies while receiving District paid benefits, spouse coverage may continue until July 1, 2012, spouse Medicare eligibility or until retiree would have been eligible for Medicare, whichever is earliest.</p> <p>Dental and vision coverage are provided until retiree is eligible for Medicare or until retiree death, whichever is earlier. Spouse coverage ends at spouse Medicare eligibility if earlier than above.</p>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Employees Retired after 2007:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Act 110/43 Requirements	Act 110/43 Grandfathered Retiree: The former Superintendent has a special contract and pays 50% of the premium for coverage	Coverage provided until the earlier of Retiree Medicare eligibility or Retiree death. Spouse coverage ends at Spouse Medicare eligibility if earlier than above.

Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer’s group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Superannuation Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service, or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS 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.

Employees Covered by Benefit Terms

At July 1, 2010, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	132
Retired participants	<u>10</u>
Total	<u><u>142</u></u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2019, was determined by rolling forward the District's total OPEB liability as of July 1, 2018 to July 1, 2019, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 3.36% - based on the Standards & Poor's Municipal Bond 20 Year High Grade Rate Index at 7/1/19.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 75% of employees are assumed to elect coverage.

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 1,081,729
Changes for the year:	
Service cost	89,570
Interest	34,110
Differences between expected and actual experience	(40,627)
Changes of assumptions or other inputs	(34,346)
Benefit payments	<u>(49,226)</u>
Net changes	<u>(519)</u>
Balance at June 30, 2020	<u>\$ 1,081,210</u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.98% to 3.36%; (2) the trend assumption was updated.

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

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

	<u>1% Decrease 2.36%</u>	<u>Current Discount Rate 3.36%</u>	<u>1% Increase 4.36%</u>
OPEB Plan - Total OPEB liability	\$ 1,173,391	\$ 1,081,210	\$ 995,046

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB Liability	\$ 944,910	\$ 1,081,210	\$ 1,246,523

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$119,290. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 25,110	\$ 33,714
Differences between expected and actual experience	-	58,258
Benefit payments made subsequent to the measurement date	<u>74,026</u>	<u>-</u>
	<u>\$ 99,136</u>	<u>\$ 91,972</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The \$74,026 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	\$	(4,390)
2022		(4,390)
2023		(4,390)
2024		(4,390)
2025		(4,390)
Thereafter		<u>(44,912)</u>
Total	\$	<u>(66,862)</u>

NOTE 11 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of the Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2019/2020 year was \$381,745.

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

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage for the 2019/2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 - CONTINGENT LIABILITIES AND COMMITMENTS

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

The District has also entered into a special education settlement agreement in which the District agrees to pay tuition directly to a third-party source. Pursuant to this agreement, the District will pay tuition through the 2021 school year plus 5% and necessary tutoring. These funds, totaling \$3,324, will be restricted and set aside to meet the terms of this settlement agreement and included as restricted cash.

At June 30, 2020 the District entered into a contract related to HVAC air traffic control upgrades. The contract amount is \$195,000 and the remaining commitment is \$23,472 as of June 30, 2020. The District intends to use capital projects funds to satisfy the remaining commitment.

NOTE 14 - OTHER RETIREMENT PLAN

Other Retirement Plan

The District maintains a Special Pay Deferral Plan for retiring teachers under section 401(a) of the IRS Code. This Plan is designed to handle payments to employees at retirement in a tax-advantaged manner. Payments are based on accumulated sick leave, unused vacation, and a \$5,000 retirement incentive for professional and administrative staff if employed by the District for at least seventeen years. For the year ended June 30, 2020, the District did not contribute to the plan.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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, 2020, are as follows:

General Fund

The general fund has a nonspendable fund balance of \$834 for prepaid expenditure, restricted fund balance of \$3,324 for a special education settlement, committed fund balance of \$1,499,263 for retirement rate increases, assigned fund balance of \$1,955,891 to balance the 2020/2021 school budget, and unassigned fund balance of \$1,687,865. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects Fund

The capital projects fund has restricted funds of \$581,881 consisting of \$48,952 of unspent bond funds and \$532,929 comprised of surplus money 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.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2021.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the District's fiscal year ending June 30, 2022.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

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

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

REQUIRED SUPPLEMENTARY INFORMATION

ANTIETAM SCHOOL DISTRICT

BUDGET COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2020

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local sources	\$ 11,470,247	\$ 11,470,247	\$ 11,517,815	\$ 47,568
State sources	7,232,228	7,232,228	8,998,763	1,766,535
Federal sources	373,567	373,567	358,240	(15,327)
TOTAL REVENUES	19,076,042	19,076,042	20,874,818	1,798,776
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	7,954,391	7,954,391	7,424,818	529,573
Special programs - elementary/secondary	3,490,621	3,490,621	4,175,909	(685,288)
Vocational education	395,690	395,690	381,745	13,945
Other instructional programs - elementary/secondary	29,545	29,545	16,584	12,961
Nonpublic school programs	21,500	21,500	33,842	(12,342)
TOTAL INSTRUCTIONAL SERVICES	11,891,747	11,891,747	12,032,898	(141,151)
SUPPORT SERVICES:				
Students	665,414	665,414	633,215	32,199
Instructional staff	801,303	801,303	677,927	123,376
Administration	1,575,517	1,575,517	1,529,134	46,383
Pupil health services	209,528	209,528	195,864	13,664
Business services	414,521	414,521	370,845	43,676
Operation and maintenance of plant	1,584,297	1,584,297	1,597,752	(13,455)
Student transportation	223,203	223,203	235,304	(12,101)
Central	470,290	470,290	433,553	36,737
Other	9,000	9,000	18,936	(9,936)
TOTAL SUPPORT SERVICES	5,953,073	5,953,073	5,692,530	260,543
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Food services	-	-	8,219	(8,219)
Student activities	469,037	469,037	379,960	89,077
Community services	20,500	20,500	7,832	12,668
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	489,537	489,537	396,011	93,526
DEBT SERVICE PAYMENTS	1,879,243	1,879,243	1,881,811	(2,568)
REFUND OF PRIOR YEAR REVENUE	-	-	21,966	(21,966)
TOTAL EXPENDITURES	20,213,600	20,213,600	20,025,216	188,384
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(1,137,558)	(1,137,558)	849,602	1,987,160
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	225,000	225,000	224,760	(240)
Budgetary reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	125,000	125,000	224,760	99,760
REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,012,558)	\$ (1,012,558)	1,074,362	\$ 2,086,920
FUND BALANCE - BEGINNING OF YEAR			4,072,815	
FUND BALANCE - END OF YEAR			\$ 5,147,177	

See note to required supplementary information.

ANTIETAM SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

BUDGETARY DATA

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

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

Excess of Expenditures Over Appropriations in Individual Funds

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, 2020. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

ANTIETAM SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.0566%	0.0586%	0.0569%	0.0570%	0.0553%	0.0538%	0.0531%
District's proportionate share of the collective net pension liability	\$ 26,479,000	\$ 28,131,000	\$ 28,102,000	\$ 28,247,000	\$ 23,953,000	\$ 21,295,000	\$ 21,737,000
District's covered payroll	\$ 7,807,333	\$ 7,897,229	\$ 7,574,938	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734
District's proportionate share of the net pension liability as a percentage of its covered payroll	339.16%	356.21%	370.99%	382.63%	336.50%	310.10%	319.06%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

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

NOTES TO SCHEDULE

Changes of Benefit Terms

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

Changes of Assumptions

None.

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

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 2,514,055	\$ 2,567,503	\$ 2,530,086	\$ 2,221,866	\$ 1,848,991	\$ 1,479,329	\$ 1,106,236	\$ 794,896	\$ 553,623	\$ 361,231
Contributions in relation to the contractually required contribution	<u>2,514,055</u>	<u>2,567,503</u>	<u>2,530,086</u>	<u>2,221,866</u>	<u>1,848,991</u>	<u>1,479,329</u>	<u>1,106,236</u>	<u>794,896</u>	<u>553,623</u>	<u>361,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,553,226	\$ 7,807,333	\$ 7,897,229	\$ 7,574,938	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734		
Contributions as a percentage of covered payroll	33.28%	32.89%	32.04%	29.33%	25.05%	20.78%	16.11%	11.67%		

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

ANTIETAM SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net PSERS OPEB liability	0.0566%	0.0586%	0.0569%	0.0570%
District's proportionate share of the collective net PSERS OPEB liability	\$ 1,204,000	\$ 1,222,000	\$ 1,159,000	\$ 1,228,000
District's covered payroll	\$ 7,807,333	\$ 7,897,229	\$ 7,574,938	\$ 7,382,318
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	15.42%	15.47%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.56%	5.56%	5.73%	5.47%

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

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

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

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

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

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 63,304	\$ 65,369	\$ 65,043	\$ 62,138	\$ 62,126	\$ 64,946	\$ 64,300	\$ 59,444	\$ 44,982	\$ 46,238
Contributions in relation to the contractually required contribution	<u>63,304</u>	<u>65,369</u>	<u>65,043</u>	<u>62,138</u>	<u>62,126</u>	<u>64,946</u>	<u>64,300</u>	<u>59,444</u>	<u>44,982</u>	<u>46,238</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,553,226	\$ 7,807,333	\$ 7,897,229	\$ 7,574,938	\$ 7,382,318	\$ 7,118,330	\$ 6,867,209	\$ 6,812,734		
Contributions as a percentage of covered payroll	0.84%	0.84%	0.82%	0.82%	0.84%	0.91%	0.94%	0.87%		

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

ANTIETAM SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 89,570	\$ 84,532	\$ 78,871
Interest	34,110	33,498	25,097
Differences between Expected and Actual Experience	(40,627)	-	(25,213)
Changes in Assumptions	(34,346)	(1,747)	31,389
Benefit Payments	<u>(49,226)</u>	<u>(44,142)</u>	<u>(64,575)</u>
Net change in total OPEB liability	(519)	72,141	45,569
Total OPEB liability, beginning	<u>1,081,729</u>	<u>1,009,588</u>	<u>964,019</u>
Total OPEB liability, ending	<u>\$ 1,081,210</u>	<u>\$ 1,081,729</u>	<u>\$ 1,009,588</u>
Covered Employee Payroll	<u>\$ 6,842,662</u>	<u>\$ 7,030,763</u>	<u>\$ 7,030,763</u>
Total OPEB liability as a Percentage of Covered Employee Payroll	15.80%	15.39%	14.36%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

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

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

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

SUPPLEMENTARY INFORMATION

ANTIETAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued (Unearned) Revenue at June 30, 2019	Revenue Recognized/Expenditures	Accrued (Unearned) Revenue at June 30, 2020
U.S. Department of Education									
Passed through State Department of Education:									
Title I: Grants to Local Educational Agencies	I	84.010	013-20-0011	8/21/19-9/30/20	\$ 296,384	\$ 232,873	\$ -	\$ 295,977	\$ 63,104
Title I: Grants to Local Educational Agencies	I	84.010	013-19-0011	8/16/18-9/30/19	325,386	23,298	23,298	-	-
Subtotal CFDA 84.010						256,171	23,298	295,977	63,104
Supporting Effective Instruction State Grant	I	84.367	020-20-0011	8/21/19-9/30/20	54,492	19,461	-	52,855	33,394
Supporting Effective Instruction State Grant	I	84.367	020-19-0011	8/16/18-9/30/19	46,838	7,118	7,118	-	-
Subtotal CFDA 84.367						26,579	7,118	52,855	33,394
Title III: English Language Acquisition State Grants	I	84.365	010-19-0011	8/16/18-9/30/19	10,700	6,114	3,704	2,410	-
Title IV-A: Student Support and Academic Enrichment Grant	I	84.424	144-20-0011	8/21/19-9/30/20	22,727	12,987	-	6,998	(5,989)
Title IV-A: Student Support and Academic Enrichment Grant	I	84.424	144-19-0011	8/16/18-9/30/19	22,220	3,174	3,174	-	-
Subtotal CFDA 84.424						16,161	3,174	6,998	(5,989)
Passed through Berks County Intermediate Unit:									
Special Education Cluster (IDEA):									
Special Education - Grants to States	I	84.027	62-20-0014	7/1/19-9/30/20	252,440	170,862	-	252,440	81,578
Special Education - Grants to States	I	84.027	62-19-0014	7/1/18-9/30/19	249,460	249,459	217,038	32,421	-
Subtotal - CFDA 84.027						420,321	217,038	284,861	81,578
Special Education - Preschool Grants	I	84.173	62-20-0014	7/1/19-9/30/20	1,500	-	-	1,500	1,500
Total Special Education Cluster (IDEA)						420,321	217,038	286,361	83,078
TOTAL U.S. DEPARTMENT OF EDUCATION						725,346	254,332	644,601	173,587
U.S. Department of Agriculture									
Child Nutrition Cluster									
Passed through State Department of Education:									
School Breakfast Program	I	10.553	N/A	7/1/19-6/30/20	N/A	30,368	-	30,368	-
COVID-19 - School Breakfast Program	I	10.553	N/A	7/1/19-6/30/20	N/A	2,455	-	2,455	-
School Breakfast Program	I	10.553	N/A	7/1/18-6/30/19	N/A	835	835	-	-
Subtotal - CFDA 10.553						33,658	835	32,823	-
Summer Food Program	I	10.559	N/A	7/1/19-6/30/20	N/A	3,218	-	3,218	-
COVID-19 - Summer Food Program	I	10.559	N/A	7/1/19-6/30/20	N/A	166,660	-	211,550	44,890
Summer Food Program	I	10.559	N/A	7/1/18-6/30/19	N/A	1,585	1,585	-	-
Subtotal - CFDA 10.559						171,463	1,585	214,768	44,890
National School Lunch Program	I	10.555	N/A	7/1/19-6/30/20	N/A	181,928	-	181,928	-
COVID-19- National School Lunch Program	I	10.555	N/A	7/1/19-6/30/20	N/A	13,793	-	13,793	-
National School Lunch Program	I	10.555	N/A	7/1/18-6/30/19	N/A	2,874	2,874	-	-
Passed through State Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	7/1/19-6/30/20	N/A	35,363	-	35,363	-
Subtotal - CFDA 10.555						233,958	2,874	231,084	-
Total Child Nutrition Cluster						439,079	5,294	478,675	44,890
Passed through State Department of Education:									
Child Nutrition Discretionary Grants	I	10.579	NSLP-18-PA-01	4/10/19-7/22/19	8,677	8,677	-	8,677	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						447,756	5,294	487,352	44,890
TOTAL FEDERAL AWARDS						<u>\$ 1,173,102</u>	<u>\$ 259,626</u>	<u>\$ 1,131,953</u>	<u>\$ 218,477</u>

I = Indirect Source of Funding

Note: No funds were passed through to subrecipients in the year ended June 30, 2020.

See notes to schedule of expenditures of federal awards.

ANTIETAM SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

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

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed . At June 30, 2020, the District had \$0 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
Antietam School District
Reading, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Antietam School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Antietam School District's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Antietam 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 Antietam School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Antietam School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
December 7, 2020



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

**To the Board of School Directors
Antietam School District
Reading, Pennsylvania**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Herbein + Company, Inc.

**Reading, Pennsylvania
December 7, 2020**

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified
Internal Control Over Financial Reporting:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified not considered to be
material weaknesses? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control Over Major Programs:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified not considered to be
material weaknesses? yes X none reported
Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified
Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section 200.516(a)? yes X no

Identification of Major Program(s):

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
Auditee qualified as low-risk auditee? X yes no

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

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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STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2019.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs for the year ended June 30, 2019.