



***ANTIETAM SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2021**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

### **Change in Accounting Principle**

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 73 through 77, 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 combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December 6, 2021**

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

**June 30, 2021**

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, 2021. 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, 1 and 2. The Mount Penn Elementary Center houses grades 3 to 6, and the Middle-Senior High School houses grades 7 to 12.

The enrollment at Antietam School District for the 2020-2021 school year was 1,090 students, which was lower than the 1,143 enrolled for the 2019-2020 school year. Potential growth has been partially addressed with the 2005 and 2020 renovations of the former Mt. Penn High School into a Primary Center and six additional classrooms being added to the Middle-Senior High School.

**FINANCIAL HIGHLIGHTS**

In the last few years, GASB 68, 71, and 75 were implemented resulting in a deficit net position for Governmental activities and Business-Type activities. In the current year, the change in net position was a change of (\$232,630) and \$73,012, respectively.

Taxes, which include property taxes, public utility realty, and earned income taxes, accounted for 55.5% of the District's total revenues, and program specific revenue in the form of grants; entitlements and investment earnings accounted for 44.5% of total revenues.

General fund expenditures totaled \$19.7 million, of which \$11.8 million was spent on instructional services, \$6.1 million was spent on support services, \$.30 million was spent on non-instructional services, and \$1.5 million was spent on debt service.

## FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's 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 Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements 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:

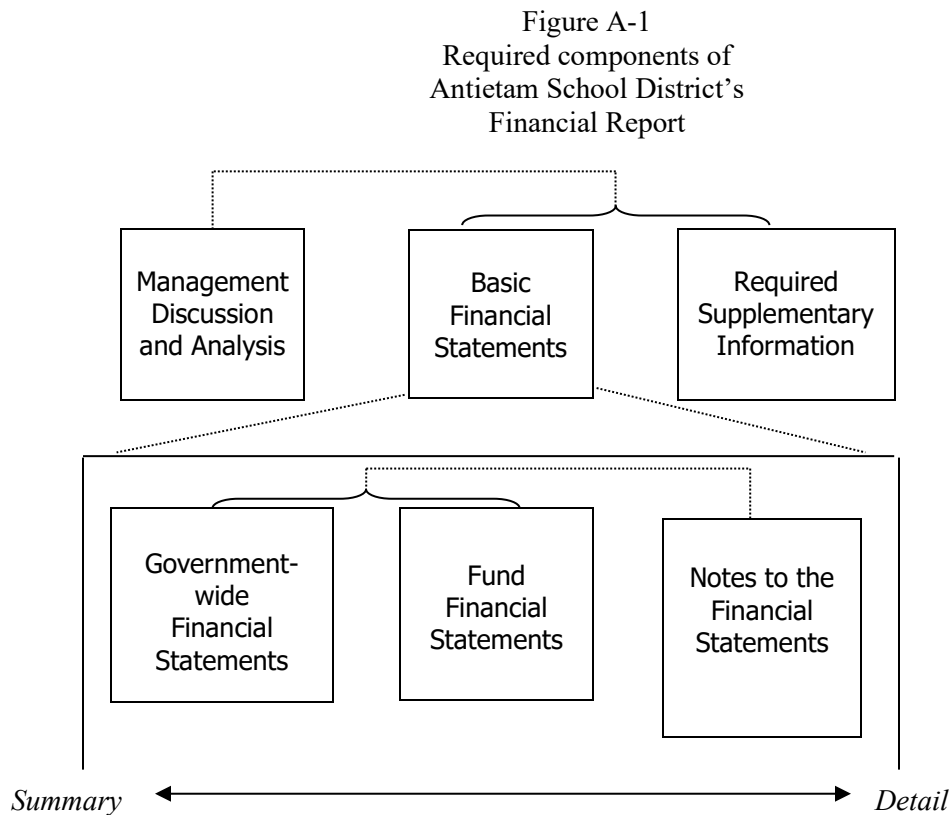


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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 of resources, liabilities, and deferred inflows of resources. 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 of resources, liabilities and deferred inflows of resources, 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 District operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds - These funds are used to account for the District'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 position was (\$23,761,133) at June 30, 2021.

Table A-1  
Fiscal Years ended June 30, 2020 and June 30, 2021  
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current assets	\$ 8,446,340	\$11,345,534	\$273,542	\$335,645	\$ 8,719,882	\$11,681,179
Non-current assets	<u>15,560,234</u>	<u>14,277,459</u>	<u>29,654</u>	<u>38,796</u>	<u>15,589,888</u>	<u>14,316,255</u>
<b>Total Assets</b>	<b>\$24,006,574</b>	<b>\$25,622,993</b>	<b>\$303,196</b>	<b>\$374,441</b>	<b>\$24,309,770</b>	<b>\$25,997,434</b>
Deferred Outflows	4,064,712	5,071,685	0	0	4,064,712	5,071,685
Current liabilities	\$3,714,504	\$2,174,292	\$ 14,813	\$ 13,046	\$ 3,729,317	\$ 2,187,338
Long-term liabilities	<u>46,473,521</u>	<u>50,297,425</u>	<u>0</u>	<u>0</u>	<u>46,473,521</u>	<u>50,297,425</u>
<b>Total Liabilities</b>	<b>\$50,188,025</b>	<b>\$52,471,717</b>	<b>\$ 14,813</b>	<b>\$ 13,046</b>	<b>\$50,202,838</b>	<b>\$52,484,763</b>
Deferred Inflows	1,844,972	2,345,489	0	0	1,844,972	2,345,489
Net Position						
Invested in capital assets, net of related debt	(\$2,844,791)	(\$3,342,392)	\$29,654	\$38,796	(\$2,815,137)	(\$3,303,596)
Restricted for capital projects	523,979	13,722	0	0	523,979	13,722
Restricted other	3,324	69,543	0	0	3,324	69,543
Unrestricted	<u>(21,644,223)</u>	<u>(20,863,401)</u>	<u>258,729</u>	<u>322,599</u>	<u>(21,385,494)</u>	<u>(20,540,802)</u>
<b>Total Net Position (Deficit)</b>	<b><u>(\$23,961,711)</u></b>	<b><u>(\$24,122,528)</u></b>	<b><u>\$288,383</u></b>	<b><u>\$361,395</u></b>	<b><u>(\$23,673,328)</u></b>	<b><u>(\$23,761,133)</u></b>

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 position at June 30, 2021 is (\$20,540,802.)

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, 2020 and June 30, 2021  
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
<b>Revenues</b>						
Program Revenue						
Charges for services	\$ 53,784	\$ 40,946	\$109,562	\$836	\$ 163,346	\$ 41,782
Operating grants & contributions	5,117,557	4,480,611	505,397	340,619	5,622,954	4,821,230
Capital grants and contributions	70,704	9,697	0	0	70,704	9,697
Extraordinary Items	0	0	0	0	0	0
General revenues	<u>15,712,786</u>	<u>15,914,787</u>	<u>1,772</u>	<u>53</u>	<u>15,714,558</u>	<u>15,914,840</u>
<b>Total Revenues</b>	<b>\$20,954,831</b>	<b>\$20,446,041</b>	<b>\$616,731</b>	<b>\$341,508</b>	<b>\$21,571,562</b>	<b>\$20,787,549</b>
<b>Expenses</b>						
Instruction	\$12,990,591	\$12,465,415	\$ 0	\$ 0	\$12,990,591	\$12,465,415
Instructional student support	1,628,327	1,483,968	0	0	1,628,327	1,483,968
Administrative and Financial Support Services	2,487,083	2,849,485	0	0	2,487,083	2,849,485
Operation & Maintenance of Plant Services	2,190,453	2,729,823	0	0	2,190,453	2,729,823
Pupil Transportation	272,638	258,023	0	0	272,638	258,023
Student Activities	398,784	328,760	0	0	398,784	328,760
Community Services	7,832	19,282	0	0	7,832	19,282
Interest on Long-Term Debt	610,101	543,915	0	0	610,101	543,915
Refund of Prior Year Revenue	0	0	0	0	0	0
Food Services	<u>0</u>	<u>0</u>	<u>494,993</u>	<u>268,496</u>	<u>494,993</u>	<u>268,496</u>
<b>Total Expenses</b>	<b>\$20,585,809</b>	<b>\$20,678,671</b>	<b>\$494,993</b>	<b>\$268,496</b>	<b>\$21,080,802</b>	<b>\$20,947,167</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$369,022</b>	<b>(\$232,630)</b>	<b>\$121,738</b>	<b>\$73,012</b>	<b>\$490,760</b>	<b>(\$159,618)</b>
<b>Net Position (Deficit) - Beginning of Year - Restated</b>	<b><u>(24,330,733)</u></b>	<b><u>(23,889,898)</u></b>	<b><u>166,645</u></b>	<b><u>288,383</u></b>	<b><u>(24,164,088)</u></b>	<b><u>(23,601,515)</u></b>
<b>Net Position (Deficit) - End of Year</b>	<b><u>(\$23,961,711)</u></b>	<b><u>(\$24,122,528)</u></b>	<b><u>\$288,383</u></b>	<b><u>\$361,395</u></b>	<b><u>(\$23,673,328)</u></b>	<b><u>(\$23,761,133)</u></b>

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, 2020 and June 30, 2021  
Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2020</u>	<u>2021</u>	<u>2020-2021</u>	<u>2020</u>	<u>2021</u>	<u>2020-2021</u>
Instruction	\$12,990,591	\$12,465,415	-4.04%	\$8,975,211	\$9,301,317	3.63%
Instructional student support	1,628,327	1,483,968	-8.87%	1,127,463	1,050,585	-6.82%
Administrative and Financial Support Services	2,487,083	2,849,485	14.57%	2,171,013	2,487,002	14.55%
Operation & Maintenance of Plant Services	2,190,453	2,729,823	24.62%	2,063,082	2,419,130	17.26%
Pupil Transportation	272,638	258,023	-5.36%	109,383	77,938	-28.75%
Student Activities	398,784	328,760	-17.56%	350,488	257,945	-26.40%
Community Services	7,832	19,282	146.2%	7,727	19,282	149.54%
Interest on Long-Term Debt	610,101	543,915	-10.85%	539,397	534,218	-0.96%
Refund of Prior Year Revenue	0	0	0.00%	0	0	0.00%
	<u>\$20,585,809</u>	<u>\$20,678,671</u>	<u>0.45%</u>	<u>\$15,343,764</u>	<u>\$16,147,417</u>	<u>5.24%</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, 2020 and June 30, 2021  
Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2020</u>	<u>2021</u>	<u>2020-2021</u>	<u>2020</u>	<u>2021</u>	<u>2020-2021</u>
Food Services	<u>\$494,993</u>	<u>\$268,496</u>	<u>-45.76%</u>	<u>\$119,966</u>	<u>\$72,959</u>	<u>-39.18%</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, 2021, the District's governmental funds reported a combined fund balance of \$8,879,793, which is an increase of \$3,078,922 from June 30, 2020. This increase was due to a bond issue for capital projects, as well as actual revenues and expenses netting an increase to the fund balance of \$0.9 million. The District received an increase in Real Estate Taxes, Earned Income Tax, Real Estate Transfer Tax, receipts from other LEAs, state subsidies and various grants provided due to the COVID pandemic. Our expenses were also decreased due to the District operating in a virtual setting until mid-February 2021. With the virtual setting, substitutes were not needed and some vacated positions were not filled until we returned to in-person instruction.

#### General Fund:

The unassigned fund balance of \$1,892,671 is 8% of the 2021-2022 general fund expenditures. The committed fund balance of \$2,312,587 will be used primarily for future retirement costs, which are projected to increase from 34.94% of salaries in 2021-2022 to 35.79% of salaries in 2022-2023.

#### Capital Projects Fund:

The restricted fund balance of \$2,751,920 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the District had \$14,277,459 in governmental activities and \$38,796 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, 2020 and June 30, 2021  
Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	88,372	79,216	0	0	88,372	79,216
Buildings and Building Improvements	14,141,548	12,976,961	0	0	14,141,548	12,976,961
Fixtures and Equipment	838,230	884,009	29,654	38,796	867,884	922,805
Construction in Progress	<u>182,028</u>	<u>27,217</u>	<u>0</u>	<u>0</u>	<u>182,028</u>	<u>27,217</u>
	<u>\$ 15,560,234</u>	<u>\$ 14,277,459</u>	<u>\$29,654</u>	<u>\$38,796</u>	<u>\$15,589,888</u>	<u>\$14,316,255</u>

### Debt Administration

Bond Obligations - As of June 30, 2020 and June 30, 2021 the Antietam School District had outstanding bond obligations of \$18,332,000 and \$20,350,000, 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 for specific employees of the District.

More detailed information about the District's capital assets and long-term liabilities is included in the notes to the financial statements.

## **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 (2021-2022 actual: 34.94%; and 2022-2023 projected: 35.79%), collective bargaining agreements with the Education Association, and future funding by the Pennsylvania Department of Education.

## **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, 2021**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,230,765	\$ 293,176	\$ 9,523,941
Taxes receivable, net	776,749	-	776,749
Internal balances	(14,919)	14,919	-
Intergovernmental receivables	1,329,898	15,710	1,345,608
Other receivables	14,175	-	14,175
Inventories	-	11,840	11,840
Prepaid expenses	8,866	-	8,866
Capital assets not being depreciated	337,273	-	337,273
Capital assets, net of accumulated depreciation	13,940,186	38,796	13,978,982
<b>TOTAL ASSETS</b>	<b>25,622,993</b>	<b>374,441</b>	<b>25,997,434</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on bond refunding	778,800	-	778,800
Deferred outflows of resources for pension	3,908,555	-	3,908,555
Deferred outflows of resources for other postemployment benefits	384,330	-	384,330
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>5,071,685</b>	<b>-</b>	<b>5,071,685</b>
<b>LIABILITIES</b>			
Intergovernmental payables	167,230	-	167,230
Accounts payable	271,731	4,612	276,343
Accrued interest	141,979	-	141,979
Accrued salaries and benefits	1,587,321	-	1,587,321
Unearned revenues	-	8,434	8,434
Other current liabilities	6,031	-	6,031
Noncurrent liabilities, due within one year	1,382,962	-	1,382,962
Noncurrent liabilities:			
Bonds and notes payable, net	19,793,384	-	19,793,384
Capital leases payable	74,845	-	74,845
Long-term portion of compensated absences	148,742	-	148,742
Net pension liability	26,441,000	-	26,441,000
Net other postemployment benefit liabilities	2,456,492	-	2,456,492
<b>TOTAL LIABILITIES</b>	<b>52,471,717</b>	<b>13,046</b>	<b>52,484,763</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for pension	2,154,000	-	2,154,000
Deferred inflows of resources for other postemployment benefits	191,489	-	191,489
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>2,345,489</b>	<b>-</b>	<b>2,345,489</b>
<b>NET POSITION</b>			
Net investment in capital assets	(3,342,392)	38,796	(3,303,596)
Restricted for capital projects	13,722	-	13,722
Restricted for purpose by donor	69,543	-	69,543
Unrestricted (deficit)	(20,863,401)	322,599	(20,540,802)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (24,122,528)</b>	<b>\$ 361,395</b>	<b>\$ (23,761,133)</b>

See accompanying notes.



**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 12,465,415	\$ 40,089	\$ 3,124,009	\$ -	\$ (9,301,317)	\$ -	\$ (9,301,317)
Instructional student support	1,483,968	-	433,383	-	(1,050,585)	-	(1,050,585)
Administrative and financial support services	2,849,485	-	362,483	-	(2,487,002)	-	(2,487,002)
Operation and maintenance of plant services	2,729,823	-	310,693	-	(2,419,130)	-	(2,419,130)
Pupil transportation	258,023	-	180,085	-	(77,938)	-	(77,938)
Student activities	328,760	857	69,958	-	(257,945)	-	(257,945)
Community services	19,282	-	-	-	(19,282)	-	(19,282)
Interest on long-term debt	543,915	-	-	9,697	(534,218)	-	(534,218)
<b>Total Governmental Activities</b>	20,678,671	40,946	4,480,611	9,697	(16,147,417)	-	(16,147,417)
<b>Business-Type Activities</b>							
Food services	268,496	836	340,619	-	-	72,959	72,959
<b>Total Primary Government</b>	<u>\$ 20,947,167</u>	<u>\$ 41,782</u>	<u>\$ 4,821,230</u>	<u>\$ 9,697</u>	(16,147,417)	72,959	(16,074,458)
<b>General Revenues</b>							
Taxes:							
Property taxes					10,796,464	-	10,796,464
Public utility Realty, earned income and mercantile taxes					1,090,064	-	1,090,064
Grants, subsidies, and contributions not restricted for specific programs					3,951,190	-	3,951,190
Investment earnings					4,663	53	4,716
Miscellaneous revenue					72,406	-	72,406
<b>Total General Revenues</b>					15,914,787	53	15,914,840
<b>Change in Net Position</b>					(232,630)	73,012	(159,618)
<b>Net Position (Deficit) - Beginning of year, Restated</b>					(23,889,898)	288,383	(23,601,515)
<b>Net Position (Deficit) - End of Year</b>					<u>\$ (24,122,528)</u>	<u>\$ 361,395</u>	<u>\$ (23,761,133)</u>

See accompanying notes.

**ANTIETAM SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2021**

	General	Capital Projects	Special Revenue (Nonmajor)	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 6,400,654	\$ 2,760,544	\$ 69,567	\$ 9,230,765
Taxes receivable	785,594	-	-	785,594
Intergovernmental receivables	1,329,898	-	-	1,329,898
Other receivables	14,175	-	-	14,175
Prepaid expenditures	8,866	-	-	8,866
<b>TOTAL ASSETS</b>	<u>\$ 8,539,187</u>	<u>\$ 2,760,544</u>	<u>\$ 69,567</u>	<u>\$ 11,369,298</u>
<b>LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund payable	\$ 14,919	\$ -	\$ -	\$ 14,919
Intergovernmental payables	167,230	-	-	167,230
Accounts payable	263,083	8,624	24	271,731
Accrued salaries and benefits	1,587,321	-	-	1,587,321
Other liabilities	6,031	-	-	6,031
<b>TOTAL LIABILITIES</b>	2,038,584	8,624	24	2,047,232
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	442,273	-	-	442,273
<b>FUND BALANCES</b>				
Nonspendable	8,866	-	-	8,866
Restricted	-	2,751,920	69,543	2,821,463
Committed	2,312,587	-	-	2,312,587
Assigned	1,844,206	-	-	1,844,206
Unassigned	1,892,671	-	-	1,892,671
<b>TOTAL FUND BALANCES</b>	<u>6,058,330</u>	<u>2,751,920</u>	<u>69,543</u>	<u>8,879,793</u>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 8,539,187</u>	<u>\$ 2,760,544</u>	<u>\$ 69,567</u>	<u>\$ 11,369,298</u>

See accompanying notes.

**ANTIETAM SCHOOL DISTRICT**

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

**June 30, 2021**

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 8,879,793
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$41,827,140 and the accumulated depreciation is \$27,549,681.

14,277,459

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.

433,428

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	\$ (20,350,000)	
Accrued interest on bonds	(141,979)	
Unamortized bond premium	(549,042)	
Unamortized bond discount	15,658	
Deferred charge on bond refunding	778,800	
Capital leases payable	(253,465)	
Compensated absences	(263,084)	
		(20,763,112)

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.

(24,686,445)

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.

(2,263,651)

<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ (24,122,528)</u></u>
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**ANTIETAM SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2021**

	General	Capital Projects	Special Revenue (Nonmajor)	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 11,926,938	\$ 1,336	\$ 36,244	\$ 11,964,518
State sources	7,661,590	-	-	7,661,590
Federal sources	864,853	-	-	864,853
<b>TOTAL REVENUES</b>	<b>20,453,381</b>	<b>1,336</b>	<b>36,244</b>	<b>20,490,961</b>
<b>EXPENDITURES</b>				
Current:				
Instructional services	11,839,930	-	-	11,839,930
Support services	6,091,458	394,153	-	6,485,611
Operation of noninstructional services	335,081	-	-	335,081
Capital outlay	11,680	54,777	38,514	104,971
Debt service:				
Principal	1,079,660	-	-	1,079,660
Interest	413,723	86,737	-	500,460
Refund of prior year revenue	(5,004)	-	-	(5,004)
<b>TOTAL EXPENDITURES</b>	<b>19,766,528</b>	<b>535,667</b>	<b>38,514</b>	<b>20,340,709</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>686,853</b>	<b>(534,331)</b>	<b>(2,270)</b>	<b>150,252</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	-	2,223,482	-	2,223,482
Issuance of refunding bonds	-	18,381,518	-	18,381,518
Bond premium	-	585,318	-	585,318
Proceeds from capital lease	224,300	-	-	224,300
Current refunding debt service - principal	-	(7,492,000)	-	(7,492,000)
Payment to refunded debt escrow agent	-	(10,977,021)	-	(10,977,021)
Bond discount	-	(16,927)	-	(16,927)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>224,300</b>	<b>2,704,370</b>	<b>-</b>	<b>2,928,670</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>911,153</b>	<b>2,170,039</b>	<b>(2,270)</b>	<b>3,078,922</b>
<b>FUND BALANCES - BEGINNING OF YEAR, RESTATED</b>	<b>5,147,177</b>	<b>581,881</b>	<b>71,813</b>	<b>5,800,871</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 6,058,330</b>	<b>\$ 2,751,920</b>	<b>\$ 69,543</b>	<b>\$ 8,879,793</b>

See accompanying notes.

**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, 2021**

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

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 3,078,922

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	\$ 293,013	
Less: depreciation expense	<u>(1,575,788)</u>	(1,282,775)

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. (49,924)

Decrease in long-term settlement claims expense in other liabilities. 3,324

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.

Issuance of bonds	(2,223,482)	
Issuance of refunding bonds	(18,381,518)	
Repayment to refunded debt escrow agent	10,977,021	
Repayment of bond and note principal	8,332,000	
Bond premium incurred	(585,318)	
Bond discount incurred	16,927	
Amortization of bond discount	(1,269)	
Amortization of bond premium	53,346	
Amortization of deferred charge on bond refunding	(98,188)	
Capital lease obligations incurred	(224,300)	
Payments on capital lease obligations	<u>239,660</u>	(1,895,121)

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. 2,654

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	(5,510)	
Net pension liability and related deferred outflows and inflows	(33,291)	
Net OPEB liability and related deferred outflows and inflows	<u>(50,909)</u>	<u>(89,710)</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ (232,630)

**ANTIETAM SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND**

**June 30, 2021**

	<u>Enterprise Fund Food Service</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 293,176
Interfund receivable	14,919
Intergovernmental receivables	15,710
Inventories	<u>11,840</u>
<b>TOTAL CURRENT ASSETS</b>	335,645
<b>NONCURRENT ASSETS</b>	
Furniture and equipment, net	<u>38,796</u>
<b>TOTAL ASSETS</b>	<u>374,441</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	4,612
Unearned revenues	<u>8,434</u>
<b>TOTAL LIABILITIES</b>	<u>13,046</u>
<b>NET POSITION</b>	
Investment in capital assets	38,796
Unrestricted net position	<u>322,599</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 361,395</u></u>

*See accompanying notes.*

**ANTIETAM SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2021**

	Enterprise Fund Food Service
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Food service revenue	\$ 836
	<u>                    </u>
<b>TOTAL OPERATING REVENUES</b>	836
<b>OPERATING EXPENSES</b>	
Salaries	26,259
Employee benefits	10,956
Purchased professional and technical services	98,590
Purchased property services	8,665
Supplies	118,863
Depreciation	5,163
	<u>                    </u>
<b>TOTAL OPERATING EXPENSES</b>	268,496
	<u>                    </u>
<b>OPERATING LOSS</b>	(267,660)
<b>NONOPERATING REVENUES</b>	
Earnings on investments	53
State sources	7,736
Federal sources	332,883
	<u>                    </u>
<b>TOTAL NONOPERATING REVENUES</b>	340,672
	<u>                    </u>
<b>CHANGE IN NET POSITION</b>	73,012
<b>NET POSITION - BEGINNING OF YEAR</b>	288,383
	<u>                    </u>
<b>NET POSITION - END OF YEAR</b>	\$ 361,395
	<u>                    </u>

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the Year Ended June 30, 2021

	Enterprise Fund Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from users	\$ 4,599
Payments to employees for services	(37,215)
Payments to suppliers for goods and services	(203,186)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	(235,802)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	7,736
Federal sources	338,586
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	346,322
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(14,305)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	53
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	96,268
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	196,908
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 293,176</u></u>



**ANTIETAM SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2021**

	<u>Enterprise Fund Food Service</u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating loss	\$ (267,660)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	5,163
Donated commodities used	23,477
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Interfund receivable	5,948
Other receivables	10
Inventories	(3,497)
Prepaid expenditures	1,421
Interfund payable	1,103
Accounts payable	428
Unearned revenues	<u>(2,195)</u>
Total adjustments	<u>31,858</u>
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b><u><u>\$ (235,802)</u></u></b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$23,477 of commodities from the  
U.S. Department of Agriculture.

## **ANTIETAM SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

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**

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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, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### 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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**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.

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

**C. Basis of Presentation - Fund Financial Statements**

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

**The District Reports the Following Major Governmental Funds:**

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

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

Components of the District's Capital Projects Fund consist 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 2021 and 2020 GOB bond issues, which provided resources to fund various capital projects of the District.

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**C. Basis of Presentation - Fund Financial Statements - continued**

**The District Reports the Following Nonmajor Governmental Funds:**

**Special Revenue Funds**

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

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

**The District has the Following Major Enterprise Fund:**

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

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.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### 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.

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.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Budgetary Process**

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

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

**Accelerated Budget Process Option**

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. 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, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### 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, 2021, the cost of these inventories was \$11,840.

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, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### 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, 2021.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **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.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### F. Financial Position - continued

###### 10. Pension

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

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

###### 11. Other Postemployment Benefits (OPEB)

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

###### PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS 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, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### F. Financial Position - continued

###### 12. Deferred Outflows/Inflows of Resources

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

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

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

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

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

*Deferred inflows of resources for pension* 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, 2021**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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##### **F. Financial Position - continued**

###### **13. Net Position**

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

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

###### **14. Fund Balance Policies and Flow Assumptions**

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of 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, 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### F. Financial Position - continued

###### 14. 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.

##### H. Adoption of Accounting Standard

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

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

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2020 in governmental activities for \$71,813 to account for the net position of the student activities and scholarship funds as of June 30, 2020.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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##### 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.

#### NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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

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

Petty cash	\$ 450
Demand deposit accounts	9,449
Pooled cash and investments	<u>9,514,042</u>
	<u>\$ 9,523,941</u>



**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**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, 2021, the carrying amount of the District's deposits was \$9,449 and the bank balance was \$9,449. The entire bank balance of \$9,449 was covered by federal depository insurance.

**Investments**

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

	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):		
MAX Account Balance	\$ 4,353,563	\$ 4,353,563
PA Local Government Investment Trust (PLGIT):		
PLGIT - Class	1,496,697	1,496,697
PLGIT/Reserve - Class	<u>4,106,403</u>	<u>4,106,403</u>
Total		9,956,663
Less: reconciling items		<u>(442,621)</u>
Total investments		<u><u>\$ 9,514,042</u></u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$9,956,663 (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 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.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Investments - continued**

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/Reserve - Class Shares are an option which requires a minimum investment of \$50,000, a one day minimum investment period, and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period and dividends are paid monthly.

As of June 30, 2021, the entire PLGIT and PSDLAF book balance of \$9,514,042 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, 2021, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA School District Liquid Asset Fund	AAAm
PA Local Government Investment Trust	AAA

**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.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### 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 \$256,167,300. In accordance with Act 1 of 2006, the District received \$459,816 in property tax reduction funds for the 2020/2021 fiscal year. The District's tax rate for the year ended June 30, 2021, was \$42.54 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.

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

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate	\$ 723,622	\$ 8,845	\$ 714,777	\$ 281,349	\$ 442,273
Transfer tax	20,192	-	20,192	20,192	-
Earned income tax	41,780	-	41,780	41,780	-
	<u>\$ 785,594</u>	<u>\$ 8,845</u>	<u>\$ 776,749</u>	<u>\$ 343,321</u>	<u>\$ 442,273</u>

Due to the COVID-19 pandemic, the District passed a resolution which extended the flat period for the 2020 school real estate tax bills through December along with a reduction in the penalty from 10% to 5%.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 5 - INTERFUND RECEIVABLES/PAYABLES**

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 14,919
Enterprise Fund - Food Service	<u>14,919</u>	<u>-</u>
	<u>\$ 14,919</u>	<u>\$ 14,919</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, 2021**

**NOTE 6 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

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

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Fund Food Service</u>
<b>Receivables</b>		
Commonwealth of Pennsylvania:		
Retirement	\$ 430,968	\$ -
Social Security	88,191	-
PCCD Grant	26,359	-
Berks County Intermediate Unit - Special Education	238,627	-
Other Local Education Agencies	40,293	-
Federal Subsidies:		
Grants to Local Education Agencies	204,141	-
Supporting Effective Instruction State Grant	27,288	-
Student Support and Academic Enrichment Grant	24,359	-
COVID-19 - Elementary and Secondary School Emergency Relief - PCCD	4,619	-
COVID-19 - Elementary and Secondary School Emergency Relief - PDE	204,289	-
COVID-19 - Special Education- Grants to States	3,988	-
COVID-19 - Governor's Emergency Education Relief Fund- PDE	36,776	-
COVID-19 - Child Nutrition Cluster	-	15,710
<b>Total Intergovernmental Receivables</b>	<b>\$ 1,329,898</b>	<b>\$ 15,710</b>
<b>Payables</b>		
Berks County Intermediate Unit	\$ 29,029	\$ -
Mount Penn Borough Municipal Authority	6,461	-
United States Treasury	30	-
Other Local Education Agencies	131,710	-
<b>Total Intergovernmental Payables</b>	<b>\$ 167,230</b>	<b>\$ -</b>

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 7 - CHANGES IN CAPITAL ASSETS**

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

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 310,056	\$ -	\$ -	\$ 310,056
Construction in progress	182,028	50,689	(205,500)	27,217
Totals not being depreciated	492,084	50,689	(205,500)	337,273
Capital assets being depreciated:				
Buildings and building improvements	35,903,669	-	205,500	36,109,169
Land improvements	183,115	-	-	183,115
Furniture and equipment	4,955,259	242,324		5,197,583
Totals being depreciated	41,042,043	242,324	205,500	41,489,867
Less accumulated depreciation for:				
Buildings and building improvements	21,762,121	1,370,087	-	23,132,208
Land improvements	94,743	9,156	-	103,899
Furniture and equipment	4,117,029	196,545	-	4,313,574
Total accumulated depreciation	25,973,893	1,575,788	-	27,549,681
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>15,068,150</u>	<u>(1,333,464)</u>	<u>205,500</u>	<u>13,940,186</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 15,560,234</u>	<u>\$ (1,282,775)</u>	<u>\$ -</u>	<u>\$ 14,277,459</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Furniture and equipment	\$ 338,389	\$ 14,305	\$ -	\$ 352,694
Less accumulated depreciation for:				
Furniture and equipment	308,735	5,163	-	313,898
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 29,654</u>	<u>\$ 9,142</u>	<u>\$ -</u>	<u>\$ 38,796</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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	\$ 786,898
Instructional student support	8,242
Administrative and financial support services	26,913
Operation and maintenance of plant services	726,841
Pupil transportation	25,335
Student activities	<u>1,559</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,575,788</u></b>

NOTE 8 - LONG-TERM LIABILITIES

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

Bonds payable are as follows at June 30, 2021:

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.

\$ 295,000

General Obligation Bonds, Series of 2020

The General Obligation Bonds, Series of 2020, aggregate principal of \$9,410,000, were issued July 6, 2020, for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2015 and General Obligation Note, Series of 2016, (2) fund various capital projects, and (3) pay bond issuance costs. The bonds mature from April 2021 to April 2037. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.00% to 4.00%. The District realized a net present value savings of \$101,596 as a result of the refunding.

8,860,000

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

General Obligation Bonds, Series of 2021

The General Obligation Bonds, Series of 2021, aggregate principal of \$11,195,000, were issued March 30, 2021, for the purpose of providing funds to: (1) advance refund the outstanding General Obligation Bonds, Series of 2017 and General Obligation Bonds, Series of 2018 and (2) pay bond issuance costs. The bonds mature from April 2022 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.56% to 2.799%. The District realized a net present value savings of \$356,398 as a result of the refunding.

	<u>11,195,000</u>
Total bonds payable	<u><u>\$ 20,350,000</u></u>

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

	General Obligation Bonds Series A of 2012	General Obligation Bonds Series of 2020	General Obligation Bonds Series of 2021	Total General Long- Term Debt	Total Interest
2022	\$ 295,000	\$ 475,000	\$ 320,000	\$ 1,090,000	\$ 537,042
2023	-	790,000	325,000	1,115,000	515,557
2024	-	820,000	325,000	1,145,000	481,812
2025	-	845,000	325,000	1,170,000	446,292
2026	-	880,000	330,000	1,210,000	414,704
2027 - 2031	-	2,555,000	4,035,000	6,590,000	1,605,819
2032 - 2036	-	1,555,000	5,535,000	7,090,000	673,520
2037 - 2041	-	940,000	-	940,000	-
	<u><u>\$ 295,000</u></u>	<u><u>\$ 8,860,000</u></u>	<u><u>\$ 11,195,000</u></u>	<u><u>\$ 20,350,000</u></u>	<u><u>\$ 4,674,746</u></u>



**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

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**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, 2021:

Cost	\$ 2,365,934
Accumulated depreciation	<u>2,070,716</u>
Net book value	<u><u>\$ 295,218</u></u>

Depreciation expense on assets held under capital leases was \$249,745 for the year ended June 30, 2021.

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

2022	\$ 185,195
2023	<u>76,686</u>
Total minimum lease payments	261,881
Less imputed interest	<u>(8,416)</u>
	253,465
Less current installments of obligations under capital leases	<u>(178,620)</u>
Obligations under capital leases, excluding current installments	<u><u>\$ 74,845</u></u>

# ANTIETAM SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

### NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds					
Bonds payable	\$ 16,475,000	\$ 20,605,000	\$ 16,730,000	\$ 20,350,000	\$ 1,090,000
Premiums	183,529	585,318	219,805	549,042	-
Discounts	-	(16,927)	1,269	(15,658)	-
Total bonds payable	16,658,529	21,173,391	16,951,074	20,883,384	1,090,000
Direct Borrowings					
Notes payable	1,857,000	-	1,857,000	-	-
Bonds payable, net	18,515,529	21,173,391	18,808,074	20,883,384	1,090,000
Capital leases	268,825	224,300	239,660	253,465	178,620
Compensated absences	257,574	32,397	26,887	263,084	114,342
Net pension liability	26,479,000	2,476,055	2,514,055	26,441,000	-
Net other postemployment benefit liabilities	2,285,210	408,722	237,440	2,456,492	-
Total governmental long-term liabilities	<u>\$ 47,806,138</u>	<u>\$ 24,314,865</u>	<u>\$ 21,826,116</u>	<u>\$ 50,297,425</u>	<u>\$ 1,382,962</u>

Payments on bonds payable and capital leases are made by the general fund. Total interest paid during the year ended June 30, 2021, was \$500,460. 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 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.

#### Defeased Debt

During the year ended June 30, 2021, the District issued General Obligation Bonds, Series of 2021 in the amount of \$11,195,000. Proceeds were used to advance refund the District's outstanding General Obligation Bonds, Series of 2017 and General Obligation Bonds, Series of 2018. These advance refundings met the requirements of in-substance debt defeasances and the bonds were removed from the District's long-term liabilities. As of June 30, 2021, outstanding general obligation bonds of the District in the amount of \$10,050,000 were considered to be defeased with a related \$10,593,421 (market value at June 30, 2021) held in escrow funds.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 9 - EMPLOYEE RETIREMENT PLANS

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##### 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](http://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, 2021**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

Contributions

The contribution policy is set by state statute and requires contributions by active members, 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, 2021**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

**Contributions - continued**

**Employer Contributions:**

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$2,446,514 for the year ended June 30, 2021.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represent 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2021, for pension and OPEB benefits was \$1,745,226.

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

At June 30, 2021, the District reported a liability of \$26,441,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019, to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.0537%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2020.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

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

For the year ended June 30, 2021, the District recognized pension expense of \$2,479,805. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,162,000	\$ -
Difference between expected and actual experience	69,000	634,000
Changes in proportions - plan level	198,000	1,520,000
Changes in proportions - internal	33,041	-
Contributions made subsequent to the measurement date	2,446,514	-
	<u>\$ 3,908,555</u>	<u>\$ 2,154,000</u>

The \$2,446,514 deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2022	\$ (515,205)
2023	(527,379)
2024	5,561
2025	345,064
	<u>\$ (691,959)</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015.

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<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, 2021

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 32,714,000	\$ 26,441,000	\$ 21,128,000

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](http://www.psers.pa.gov).

Payables Related to the Plan

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$852,284. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021.

**Hybrid Defined Benefit/Defined Contribution Retirement Plan**

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the District were \$13,142 for the year ended June 30, 2021.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

**403(b) Tax Shelter Plan**

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

**Employee Defined Benefit Other Postemployment Benefit Plans**

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

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	\$ 1,165,000	\$ 140,866	\$ 106,000
District OPEB Plan	1,291,492	243,464	85,489
Total	<u>\$ 2,456,492</u>	<u>\$ 384,330</u>	<u>\$ 191,489</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, 2020, there were no assumed future benefit increases to participating eligible retirees.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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##### 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](http://www.psers.pa.gov).

##### Benefits Provided

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

##### Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$59,866 for the year ended June 30, 2021.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**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, 2021 for pension and OPEB benefits was \$1,745,226.

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

At June 30, 2021, the District reported a liability of \$1,165,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.0539%, which was a decrease of 0.0027% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$51,304. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 47,000	\$ 26,000
Net difference between projected and actual investment earnings	2,000	-
Differences between expected and actual experience	11,000	-
Changes in proportion	21,000	80,000
Contributions made subsequent to the measurement date	59,866	-
	<u>\$ 140,866</u>	<u>\$ 106,000</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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PSERS OPEB Plan - continued

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

The \$59,866 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2022	\$ (5,000)
2023	(5,000)
2024	(6,000)
2025	3,000
2026	(7,000)
Thereafter	<u>(5,000)</u>
	<u>\$ (25,000)</u>

Actuarial Assumptions

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

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

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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
District's proportionate share of the net OPEB liability	\$ 1,164,000	\$ 1,165,000	\$ 1,165,000

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
District's proportionate share of the net OPEB liability	\$ 1,328,000	\$ 1,165,000	\$ 1,029,000

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](http://www.psers.pa.gov).

Payables Related to the Plan

At June 30, 2021, the District had an accrued balance due to PSERS of \$852,284, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021.



ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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	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.  Retiree and Spouse may continue Dental and Vision coverage by paying the full premium.	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.  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.  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.

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

*General Information About the District OPEB Plan - continued*

*Employees Retired after 2007:*

ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
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, 2019, 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>142</u>

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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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 - 1.86% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 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, 2021**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**District OPEB Plan - continued**

***Changes in the Total OPEB Liability***

	Total OPEB Liability
Balance at July 1, 2020	\$ 1,081,210
Changes for the year:	
Service cost	86,344
Interest	37,882
Changes of assumptions or other inputs	160,082
Benefit payments	(74,026)
Net changes	<u>210,282</u>
Balance at June 30, 2021	<u>\$ 1,291,492</u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.36% to 1.86%; (2) the trend assumption was updated.

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

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

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
OPEB Plan - Total OPEB liability	\$ 1,400,737	\$ 1,291,492	\$ 1,187,843

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**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	\$ 1,102,719	\$ 1,291,492	\$ 1,522,955

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$129,841. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 173,094	\$ 31,451
Differences between expected and actual experience	-	54,038
Benefit payments made subsequent to the measurement date	70,370	-
	<u>\$ 243,464</u>	<u>\$ 85,489</u>

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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**District OPEB Plan - continued**

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

The \$70,370 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2022	\$ (5,615)
2023	(5,615)
2024	(5,615)
2025	(5,615)
2026	(5,615)
Thereafter	<u>(59,530)</u>
Total	<u>\$ (87,605)</u>

**NOTE 11 - JOINT VENTURE**

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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 2020/2021 year was \$385,797.

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

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

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

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

**NOTE 12 - RISK MANAGEMENT**

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

**NOTE 13 - OPERATING LEASE COMMITMENTS**

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The District has entered into several lease agreements for the rental of certain equipment. Minimum future rental payments under noncancelable operating leases as of June 30 are as follows:

2022	\$ 22,422
2023	22,422
2024	7,990
2025	6,678
2026	<u>5,009</u>
Total minimum future rental payments	<u>\$ 64,521</u>

Rent expense for the year ended June 30, 2021 approximated \$19,004.

**NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS**

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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.

Subsequent to year end, the District entered into a contract related to the Antietam Creek Streambank Stabilization. The contract amount is \$156,400 and the District intends to use capital projects funds to satisfy this commitment.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 15 - OTHER RETIREMENT PLAN

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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, 2021, the District contributed \$2,540 on behalf of its retirees to the plan.

#### NOTE 16 - FUND BALANCE

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

##### **General Fund**

The general fund has a nonspendable fund balance of \$8,866 for prepaid expenditure, committed fund balance of \$2,312,587 for retirement rate increases, assigned fund balance of \$1,844,206 to balance the 2021/2022 school budget, and unassigned fund balance of \$1,892,671. 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 \$2,751,920 consisting of \$2,218,776 of unspent bond funds and \$533,144 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.

##### **Nonmajor Funds**

The nonmajor funds have restricted funds of \$69,543 consisting of \$8,844 for scholarships and \$60,699 for student activities.



## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

#### NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

**For the Year Ended June 30, 2021**

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 10,936,122	\$ 10,936,122	\$ 11,926,938	\$ 990,816
State sources	7,626,365	7,626,365	7,661,590	35,225
Federal sources	825,949	825,949	864,853	38,904
<b>TOTAL REVENUES</b>	<b>19,388,436</b>	<b>19,388,436</b>	<b>20,453,381</b>	<b>1,064,945</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTIONAL SERVICES:</b>				
Regular programs - elementary/secondary	7,946,738	7,946,738	7,781,628	165,110
Special programs - elementary/secondary	4,305,075	4,305,075	3,629,916	675,159
Vocational education	372,627	372,627	385,797	(13,170)
Other instructional programs - elementary/secondary	70,055	70,055	-	70,055
Nonpublic school programs	46,500	46,500	42,589	3,911
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>12,740,995</b>	<b>12,740,995</b>	<b>11,839,930</b>	<b>901,065</b>
<b>SUPPORT SERVICES:</b>				
Students	724,382	724,382	575,289	149,093
Instructional staff	795,677	795,677	708,699	86,978
Administration	1,636,090	1,636,090	1,535,969	100,121
Pupil health services	216,955	216,955	175,627	41,328
Business services	442,977	442,977	366,638	76,339
Operation and maintenance of plant	1,820,713	1,820,713	1,964,502	(143,789)
Student transportation	230,025	230,025	227,938	2,087
Central	471,693	471,693	534,273	(62,580)
Other	9,000	9,000	2,523	6,477
<b>TOTAL SUPPORT SERVICES</b>	<b>6,347,512</b>	<b>6,347,512</b>	<b>6,091,458</b>	<b>256,054</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES:</b>				
Student activities	482,875	482,875	315,799	167,076
Community services	20,500	20,500	19,282	1,218
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>503,375</b>	<b>503,375</b>	<b>335,081</b>	<b>168,294</b>
<b>CAPITAL OUTLAY</b>	-	-	11,680	(11,680)
<b>DEBT SERVICE PAYMENTS</b>	1,877,445	1,877,445	1,493,383	384,062
<b>REFUND OF PRIOR YEAR REVENUE</b>	-	-	(5,004)	5,004
<b>TOTAL EXPENDITURES</b>	<b>21,469,327</b>	<b>21,469,327</b>	<b>19,766,528</b>	<b>1,702,799</b>
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(2,080,891)</b>	<b>(2,080,891)</b>	<b>686,853</b>	<b>2,767,744</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease	225,000	225,000	224,300	(700)
Budgetary reserve	(100,000)	(100,000)	-	100,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>125,000</b>	<b>125,000</b>	<b>224,300</b>	<b>99,300</b>
<b>REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (1,955,891)</b>	<b>\$ (1,955,891)</b>	<b>911,153</b>	<b>\$ 2,867,044</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>5,147,177</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 6,058,330</b>	

See note to required supplementary information.

**ANTIETAM SCHOOL DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

**BUDGETARY DATA**

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

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

**Excess of Expenditures Over Appropriations in Individual Funds**

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

**Budgetary Compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2021. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis 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>2021</u>	<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	0.0537%	0.0566%	0.0586%	0.0569%	0.0570%	0.0553%	0.0538%	0.0531%
District's proportionate share of the collective net pension liability	\$ 26,441,000	\$ 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	\$ 7,560,304	\$ 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	349.73%	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	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

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

**NOTES TO SCHEDULE**

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

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

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

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN**

**LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 2,446,514	\$ 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
Contributions in relation to the contractually required contribution	<u>2,446,514</u>	<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>
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	\$ 7,289,252	\$ 7,560,304	\$ 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	33.56%	33.25%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net PSERS OPEB liability	0.0539%	0.0566%	0.0586%	0.0569%	0.0570%
District's proportionate share of the collective net PSERS OPEB liability	\$ 1,165,000	\$ 1,204,000	\$ 1,222,000	\$ 1,159,000	\$ 1,228,000
District's covered payroll	\$ 7,560,304	\$ 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	15.41%	15.42%	15.47%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%

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

**NOTES TO SCHEDULE**

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

None.

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

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

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

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

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN**

**LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 59,866	\$ 63,304	\$ 65,369	\$ 65,043	\$ 62,138	\$ 62,126	\$ 64,946	\$ 64,300	\$ 59,444	\$ 44,982
Contributions in relation to the contractually required contribution	<u>59,866</u>	<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>
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	\$ 7,289,252	\$ 7,560,304	\$ 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	0.82%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:				
Service cost	\$ 86,344	\$ 89,570	\$ 84,532	\$ 78,871
Interest	37,882	34,110	33,498	25,097
Differences between Expected and Actual Experience	-	(40,627)	-	(25,213)
Changes in Assumptions	160,082	(34,346)	(1,747)	31,389
Benefit Payments	<u>(74,026)</u>	<u>(49,226)</u>	<u>(44,142)</u>	<u>(64,575)</u>
Net change in total OPEB liability	210,282	(519)	72,141	45,569
Total OPEB liability, beginning	<u>1,081,210</u>	<u>1,081,729</u>	<u>1,009,588</u>	<u>964,019</u>
Total OPEB liability, ending	<u><u>\$ 1,291,492</u></u>	<u><u>\$ 1,081,210</u></u>	<u><u>\$ 1,081,729</u></u>	<u><u>\$ 1,009,588</u></u>
 <b>Covered Employee Payroll</b>	 <u><u>\$ 6,842,662</u></u>	 <u><u>\$ 6,842,662</u></u>	 <u><u>\$ 7,030,763</u></u>	 <u><u>\$ 7,030,763</u></u>
 <b>Total OPEB liability as a Percentage of Covered Employee Payroll</b>	 18.87%	 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, 2020 measurement date are as follows:

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

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

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

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

## **SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2021**

	<u>Scholarships</u>	<u>Student Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	<u>\$ 8,844</u>	<u>\$ 60,723</u>	<u>\$ 69,567</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 24	\$ 24
<b>FUND BALANCES - restricted</b>	<u>8,844</u>	<u>60,699</u>	<u>69,543</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,844</u>	<u>\$ 60,723</u>	<u>\$ 69,567</u>

**ANTIETAM SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2021**

	<u>Scholarships</u>	<u>Student Activities</u>	<u>Totals</u>
<b>REVENUE</b>			
Local sources	\$ 5,000	\$ 31,244	\$ 36,244
<b>EXPENDITURES</b>			
Current:			
Operating of noninstructional services	<u>1,800</u>	<u>36,714</u>	<u>38,514</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,200	(5,470)	(2,270)
<b>FUND BALANCES, BEGINNING OF YEAR, RESTATED</b>	<u>5,644</u>	<u>66,169</u>	<u>71,813</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ 8,844</u></u>	<u><u>\$ 60,699</u></u>	<u><u>\$ 69,543</u></u>

**ANTIETAM SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Receipts for the Year	Accrued (Unearned) Revenue at June 30, 2020	Revenue Recognized/ Expenditures	Accrued (Unearned) Revenue at June 30, 2021
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>									
Passed through State Department of Education:									
Grants to Local Educational Agencies	I	84.010	013-21-0011	8/20/20-9/30/21	\$ 317,519	\$ 113,378	\$ -	\$ 317,519	\$ 204,141
Grants to Local Educational Agencies	I	84.010	013-20-0011	8/21/19-9/30/20	296,384	63,412	63,104	308	-
Subtotal - ALN 84.010						176,790	63,104	317,827	204,141
Supporting Effective Instruction State Grant	I	84.367	020-21-0011	8/20/20-9/30/21	42,262	14,974	-	42,262	27,288
Supporting Effective Instruction State Grant	I	84.367	020-20-0011	8/21/19-9/30/20	54,492	33,394	33,394	-	-
Subtotal - ALN 84.367						48,368	33,394	42,262	27,288
Student Support and Academic Enrichment Grant	I	84.424	144-21-0011	8/20/20-9/30/21	22,740	8,121	-	22,740	14,619
Student Support and Academic Enrichment Grant	I	84.424	144-20-0011	8/21/19-9/30/20	22,727	-	(5,989)	15,729	9,740
Subtotal - ALN 84.424						8,121	(5,989)	38,469	24,359
COVID-19 - Governor's Emergency Education Relief Fund	I	84.425C	254-20-0011	3/13/20-9/30/21	39,510	10,397	-	39,510	29,113
COVID-19 - Governor's Emergency Education Relief Fund	I	84.425C	253-20-0011	3/13/20-9/30/21	9,100	1,437	-	9,100	7,663
Subtotal - ALN 84.425C						11,834	-	48,610	36,776
COVID-19 - Elementary and Secondary School Emergency Relief	I	84.425D	200-20-0011	3/13/20-9/30/21	246,284	38,887	-	243,176	204,289
Passed through the Pennsylvania Commission on Crime and Delinquency:									
COVID-19 - Elementary and Secondary School Emergency Relief	I	84.425D	2020-ES-01-35254	3/13/20-9/30/22	36,214	-	-	4,619	4,619
Subtotal - ALN 84.425D						38,887	-	247,795	208,908
Total Education Stabilization Fund						50,721	-	296,405	245,684
Passed through the Pennsylvania Commission on Crime and Delinquency:									
COVID-19 - Coronavirus Relief Fund	I	21.019	33488	7/1/20-10/31/20	161,449	161,449	-	161,449	-
Passed through the County of Berks:									
COVID-19 - Coronavirus Relief Fund	I	21.019	CGA-235792-20	3/1/20-9/20/20	100,000	100,000	-	100,000	-
Subtotal - ALN 21.019						261,449	-	261,449	-
Special Education Cluster (IDEA)									
Passed through Berks County Intermediate Unit:									
Special Education - Preschool Grants	I	84.173	62-21-0014	7/1/20-9/30/21	2,415	-	-	2,415	2,415
Special Education - Preschool Grants	I	84.173	62-20-0014	7/1/19-9/30/20	1,500	1,500	1,500	-	-
Subtotal - ALN 84.173						1,500	1,500	2,415	2,415
Special Education - Grants to States	I	84.027	62-21-0014	7/1/20-9/30/21	236,212	-	-	236,212	236,212
Special Education - Grants to States	I	84.027	62-20-0014	7/1/19-9/30/20	252,440	81,578	81,578	-	-
Passed through the State Department of Education:									
COVID-19 - Special Education - Grants to States	I	84.027	252-20-0011	7/1/20-9/30/21	13,360	4,453	-	8,441	3,988
Subtotal - ALN 84.027						86,031	81,578	244,653	240,200
Total Special Education Cluster (IDEA)						87,531	83,078	247,068	242,615
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						632,980	173,587	1,203,480	744,087

See notes to schedule of expenditures of federal awards.

**ANTIETAM SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

**For the Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Receipts for the Year	Accrued (Unearned) Revenue at June 30, 2020	Revenue Recognized/ Expenditures	Accrued (Unearned) Revenue at June 30, 2021
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>									
Child Nutrition Cluster									
Passed through State Department of Education:									
COVID-19 - School Breakfast Program	I	10.553	N/A	7/1/20-6/30/21	N/A	494	-	494	-
COVID-19 - Summer Food Program	I	10.559	N/A	7/1/20-6/30/21	N/A	292,394	-	308,104	15,710
COVID-19 - Summer Food Program	I	10.559	N/A	7/1/19-6/30/20	N/A	44,890	44,890	-	-
Subtotal - ALN 10.559						337,284	44,890	308,104	15,710
COVID-19 - National School Lunch Program	I	10.555	N/A	7/1/20-6/30/21	N/A	808	-	808	-
Passed through State Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	7/1/20-6/30/21	N/A	23,477	-	23,477	-
Subtotal - ALN 10.555						24,285	-	24,285	-
<b>TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE</b>						362,063	44,890	332,883	15,710
<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 995,043</u>	<u>\$ 218,477</u>	<u>\$ 1,536,363</u>	<u>\$ 759,797</u>

I = Indirect Source of Funding

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

## **ANTIETAM SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2021**

#### **NOTE 1 - BASIS OF PRESENTATION**

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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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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**

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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**

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The District did not elect to use the de minimis rate for indirect costs.

#### **NOTE 4 - FOOD COMMODITIES**

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Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed . At June 30, 2021, the District had \$0 of food commodity inventory.

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

**To the Board of School Directors  
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, 2021, 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 6, 2021.

**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 6, 2021**

**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, 2021. 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 to in the first paragraph that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### Report on Internal Control Over Compliance

Management of the 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 6, 2021

ANTIETAM SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?        yes     X     no

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

Noncompliance material to financial statements noted?        yes     X     no

**Federal Awards**

Internal Control Over Major Programs:

Material weakness(es) identified?        yes     X     no

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

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

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

**Identification of Major Program(s):**

Assistance Listing Number(s)      Name of Federal Program or Cluster

Child Nutrition Cluster

10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Program

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, 2021**

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**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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Director of Finance & Business Services  
(610) 779-2606

## **STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2021**

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### **Section II - Financial Statement Findings**

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

### **Section III - Federal Awards Findings and Questioned Costs**

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