POTTSTOWN SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 84 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pottstown School District's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a requirement 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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
January 12, 2021

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Building a Better Tomorrow

POTTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2020

The following is a discussion and analysis of the Pottstown School District's annual financial performance during the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management's 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 in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

DISTRICT HIGHLIGHTS

The Pottstown School District is a school district of the third class, coterminous with the Borough of Pottstown. The District covers an area of 5.1 square miles in a section of Montgomery County. The governing body of the School District is a Board of School Directors comprised of nine members. Members are elected to four-year terms, which expire on a staggered basis. The daily operations and management of the School District are carried out by the administrative staff of the School District headed by the Superintendent of Schools, who is appointed by the Board.

The Pottstown School District consisted of four (4) elementary schools, a middle school, a high school, an elementary building housing special education programs, an Administration Building, a Pre K Learning Center and two (2) maintenance buildings. Renovations to Barth Elementary School were substantially completed during the 2012-13 school year. Edgewood Elementary School was closed at the end of the 2012-13 school year, but housed the Rupert Elementary School students and staff during 2013-14 and up to November 10, 2014 when additions and renovations were completed at the Rupert Elementary School building. Work on additions and renovations to Franklin and Lincoln Elementary Schools also took place during the 2013-14 year and were completed in time for the opening of the 2014-15 school year. The District's enrollment, including out placed students, was 3,446 students. The District employed approximately 228 professionals, 218 support staff, and 24 full-time administrators. The District's commitment to provide an excellent education for each student can be seen in the quality of programs and opportunities the District maintains and supports.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

- The net position for business-type activities or Food Service increased by $216,638. In 2019-20 the District's Food Service participated, for the sixth year, in the Community Eligibility Provision, which provides free breakfast and lunch to all students and provides a higher subsidy. The cafeteria operates independently from the General Fund.

- Total net position for governmental activities increased by $3,665,544 reducing the net position deficit from ($59,171,121) to ($55,505,577). The deficit position is the result of the net pension liability of $80,804,911 and the net other postemployment benefit liability of $11,400,530.

Fund Level

- Total General Fund revenues were $2,986,005 greater than anticipated. Local revenue exceeded the budget by $658,424. Local taxes were over collected by approximately $475,877. State funding was $1,044,484 more than budgeted due to increased state grant funding, the Pre K Counts Grant and additional funding from the rental and sinking fund reimbursements. Federal revenue was $1,283,097 more than budgeted as a result of additional Title 1, 21st Century, and Pennsylvania Commission on Crime and Delinquency (PCCD) COVID Grant Funding.

- Total General Fund expenditures were less than budgeted by $857,848. This was due to savings from transportation due to the COVID-19 Pandemic. Total Instructional expenditures were over budget by $224,273 offset by additional grant revenue. Total Support Services expenditures were under budget by $593,897. This was primarily a result of Student transportation actual expenditures were less than budgeted by $734,219 due to special education transportation costs. The refund of prior year revenues expense was $55,732.

- The net position of the Internal Service Fund for medical costs associated with self-funding increased $68,611 from $3,769,002 to $3,837,613.

- The trends of prior years indicated that during the fiscal year 2019-2020 the Pottstown School District would experience another year of significant increases in the costs for special education instruction and transportation along with benefits for our employees. Further, with the down turn in the economy and anticipated remediation costs from the COVID-19 Pandemic will continue to cause an additional drain on the financial resources of all schools in Pennsylvania, this was further complicated by the loss of the Top Taxpayer in 2017-2018, the Pottstown Memorial Hospital. The loss in local tax revenue amounted to $924,087.

- At the close of the fiscal year, the General Fund ending fund balance increased by $3,468,980 to $14,279,027 of which $5,233,089 is unassigned. The remaining General Fund balance is comprised of funds committed for Public School Employees Retirement System (PSERS) of $3,799,409; non-spendable fund balance of $75,095 and an assigned fund balance of $1,361,626 for capital projects, $2,102,329 for transportation and $1,707,479, which is appropriated in the 2020-21 budget. The Capital Projects ending fund balance increased $30,132 to a balance of $2,189,511. This is also observed in the Total Governmental fund balance increase of $3,501,925 from $13,097,428 to $16,599,353.

- A Proprietary Internal Service Fund was established with the Southeastern Pennsylvania Schools Trust (SEPaST) for self-funded medical costs and has a net position of $3,837,613. This represents an increase of $68,611. These funds were a combination of the funds reserved in prior years for medical costs and better experience over the last two years than anticipated in actual medical and prescription costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements and (3) required supplementary information. The basic financial statements include two types of financial statements that present different views of the District.

- The first type includes two district-wide or government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The other type and remaining statements are the fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

    - *Governmental Funds* statements indicate how basic services, such as regular and special education, were financed in the short term as well as indicate future spending plans.

    - *Proprietary Funds* statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services.

    - *Fiduciary Funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as Student Activity Funds and Scholarship Funds.

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

Figure A-1 shows how the various parts of the annual report are arranged and related to the other.

Figure A-1
Organization of the Pottstown School District Annual Financial Report

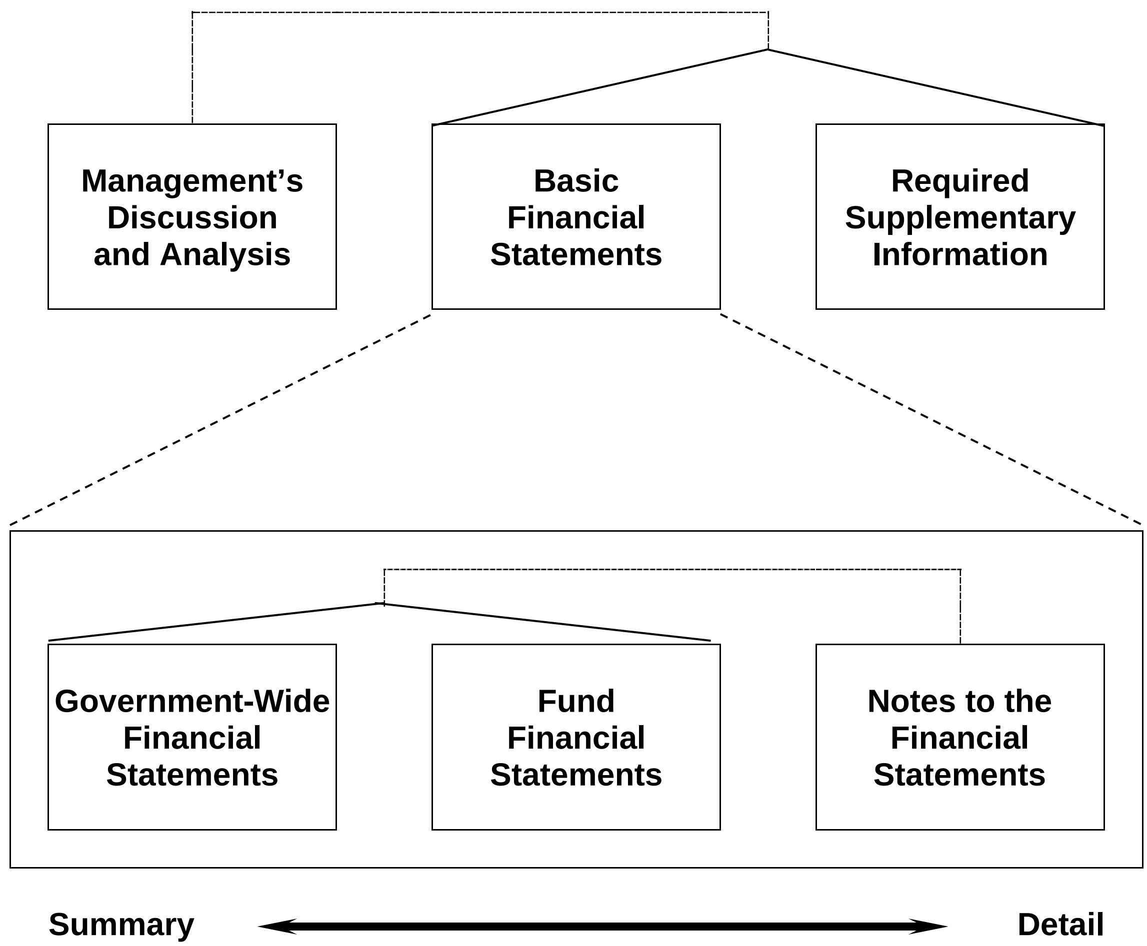

Figure A-2 summarizes the major features of the District's statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• 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 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, current and noncurrent and deferred inflows and outflows of resources	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included	All assets and liabilities, both financial and capital, current and noncurrent and deferred inflows and outflows of resources	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the 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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 and the statement of activities are two financial statements that report information about the District as a whole and about its activities that indicate whether the District is better off or worse off as a result of this year's activities. These statements include all the District's assets and liabilities using the accrual basis of accounting. Revenue and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position." Over time, increases and decreases in net position measure whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods: uncollected taxes, retirement incentives, and unused vacation leave.

Both statements report two activities:

- ***Governmental Activities*** - Most of the District's basic services, such as regular and special education, maintenance, and operation of plant services, are reported under this category. Taxes, state formula aid finance, and state and federal grants generally fund these programs.

- ***Business-Type Activities*** - The only business-type activity in the District is food service operations. The sources of funding for operations consist of charges for meal purchases and federal and state subsidies.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District, not the District as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. Some funds are required by state law and by bond requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District's funds are divided into three categories: (1) Governmental, (2) Proprietary, and (3) Fiduciary.

- ***Governmental Funds*** - Most of the District's basic services are included in Governmental Funds that focus on how money flows into and out of these funds and the balances left at year-end for future spending. The Governmental Funds financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the District's programs.

  These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund and the Capital Projects Fund. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information behind the Governmental Funds statements explains the relationship (or differences) between them.

- ***Proprietary Funds*** - Services for which the District charges a fee are generally reported in the Proprietary Funds. These funds utilize the accrual accounting method, which is the same method used by private sector businesses, 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 the Proprietary Funds. The Food Service Fund is the District's Enterprise Fund and is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. In addition to the food service enterprise fund, the District has an internal service fund which is used to record the activities associated with self-funding for medical and prescription benefits.

- ***Fiduciary Funds*** - The District acts as a trustee, or fiduciary, for assets that belong to others, such as Scholarship and Agency Funds or Student Activity Funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District's operations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position increased $3,882,182 over the course of the fiscal year's operations for total combined net deficit at June 30, 2020, of ($55,861,181). The net pension liability is a main contributing factor to the District's deficit in net position. The District's financial position was derived from its governmental activities, the net position (deficit) of which increased $3,665,544 to ($55,505,577). The net position (deficit) of the District's business-type activities increased $216,638 to ($355,604).

Figure A-3 - Condensed Statement of Net Position (in millions)

	Governmental		Business-Type		Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Assets						
Current and other	$ 32	$ 28	$ 1	$ 1	$ 33	$ 29
Capital assets	54	56	-	-	54	56
TOTAL ASSETS	86	84	1	1	87	85
Deferred outflows of resources	12	13	1	-	13	13
Liabilities						
Current and other	11	11	-	-	11	11
Long-term	136	139	2	2	138	141
TOTAL LIABILITIES	147	150	2	2	149	152
Deferred inflow of resources	6	6	-	-	6	6
Net Position (Deficit)						
Net investment in capital assets	9	9	-	-	9	9
Restricted net position	5	5	-	-	5	5
Unrestricted net position	(69)	(73)	-	(1)	(69)	(74)
TOTAL NET POSITION (DEFICIT)	$ (55)	$ (59)	$ -	$ (1)	$ (55)	$ (60)

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

The District's net position increased by $3,882,182, the increase consists of a decrease in Net Pension Liability of $1.6 million and decrease in Accounts Payable of $340,144 along with Bonds and Notes Payable decreasing $2 million while the Southeastern Pennsylvania Schools Trust remained. This is offset by a decrease in Capital Assets of $2 million primarily as a result of depreciation exceeding capital improvements as building renovations have been completed. In addition, the deferred outflows of resources decreased $1.1 million due to the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Deferred inflows of resources increased $519,707 that was offset by total liabilities decreasing $4 million. The decrease in liabilities is a direct result of the decreased Net Pension Liability that is offset by a reduction in Net Bonds and Notes Payable of $2 million.

The District closely monitors and gives consideration to real estate and economic trends. These considerations are conservatively reflected in the annually approved General Fund budget. As of 2017, Pottstown Hospital Co. LLC was the School District's largest real property taxpayer. The most recent assessed value for the four parcels associated with Pottstown Hospital Co. LLC was $23,540,030 (as of December 31, 2017). Effective October 1, 2017, Tower Health, a not-for-profit entity, acquired Pottstown Hospital Co. LLC.

Governmental activities had (125%) of total net position (deficit) as unrestricted. This is the largest component of the District's net position. The Board of Directors and Administration have judiciously followed their capital project's strategy to meet their timeline for investments in capital assets. Business-type activities had an unrestricted net deficit of (119%).

A major portion (96.3%) of the District's total costs for operating programs and services was related to student instruction and support for instruction, including the operation/maintenance of school facilities and transportation as detailed in Figure A-4, Changes in Net Position from Operating Results.

The results of this year's operations as a whole are reported in the statement of activities in the financial statements. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Figure A-4 takes the information from the statement of activities and rearranges it slightly, so you can see our total revenues for the year. The following table reflects the revenues and expenses for 2019 and 2020.

Figure A-4 - Changes in Net Position from Operating Results (In Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
REVENUES						
Program Revenues						
Charges for Services	$ 0.3	$ 0.5	$ 0.1	$ 0.2	$ 0.4	$ 0.7
Operating grants and contributions	17.5	16.9	2.3	2.1	19.8	19.0
Capital grants and contributions	1.2	0.8	-	-	1.2	0.8
General Revenues						
Property taxes	30.1	29.2	-	-	30.1	29.2
State aid	14.2	13.6	-	-	14.2	13.6
Other taxes and miscellaneous	3.9	4.0	-	-	3.9	4.0
TOTAL REVENUES	67.2	65.0	2.4	2.3	69.6	67.3
EXPENSES						
Instruction	40.7	40.9	-	-	40.7	40.9
Pupil and instructional services	6.4	5.6	-	-	6.4	5.6
Administration and business	5.5	5.4	-	-	5.5	5.4
Maintenance and operations	6.5	6.7	-	-	6.5	6.7
Transportation	2	3	-	-	2.0	3.0
Other	2.4	2.4	2.2	2.0	4.6	4.4
TOTAL EXPENSES	63.5	64	2.2	2.0	65.7	66.0
CHANGE IN NET POSITION	$ 3.7	$ 1	$ 0.20	$ 0.25	$ 3.9	$ 1.25
Net Position (Deficit) - Beginning	(59.0)	(60.0)	(0.60)	(0.85)	(59.60)	(60.85)
Net Position (Deficit) - Ending	$ (55.3)	$ (59.0)	$ (0.40)	$ (0.60)	$ (55.70)	$ (59.60)

The following Figure A-5 presents the expenses of both the governmental activities and the business-type activities of the District.

Figure A-5 - Net Cost of District Activities

	2020		2019	
Functions/Programs	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 40,683,994	$ 26,545,222	$ 40,913,980	$ 27,193,666
Pupil and instructional services	6,414,415	5,010,632	5,594,644	4,444,706
Administration and business	5,581,099	4,913,982	5,446,826	4,792,295
Maintenance and operations	6,522,025	5,799,869	6,692,114	5,721,985
Transportation	2,074,593	1,397,643	3,010,552	2,372,334
Pupil Health Services/Other Student activities and community services	1,009,357	835,266	1,048,308	837,458
Interest on long-term debt	1,299,875	154,615	1,381,358	597,251
TOTAL GOVERNMENTAL ACTIVITIES	$ 63,585,358	44,657,229	$ 64,087,782	45,959,695
Less unrestricted grants, subsidies		14,237,865		13,596,887
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		$ 30,419,364		$ 32,362,808
Business-Type Activities Food Service	$ 2,141,496	$ (280,279)	$ 2,049,435	$ (268,112)

Figure A-5 shows the District's six largest functions: instruction, pupil and instructional services, administrative and business services, operation and maintenance of plant, pupil transportation and student activities and community services, as well as each program's net cost (total cost less revenues generated by the activities). This figure also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the end of the 2019-2020 fiscal year, Governmental Funds had a total year-end fund balance of $16,599,353, a $3,501,925 increase from the prior fiscal year's balance of $13,097,428. The General Fund increased $3,468,980 as a result of the annual revenues being above expected primarily as a result of additional grant funds, and reduced transportation expenditures from the COVID-19 Pandemic. Capital Projects increased $30,132 as a result of interest and other local revenues with no spending out of this fund in the current year.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided as required supplementary information for the financial statements.

The District applies for federal, state and local grants, and these grants cannot always be anticipated in the budgetary process. Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The budgetary reserve is an amount that will be used for unexpected expenditures throughout the fiscal year. Experience indicates that there are certain variables in expenditures where control is difficult, regardless of the care with which the budget is prepared.

The District's budget for fiscal year 2019-2020 anticipated expenditures exceeding revenue by $457,323; however, the actual results for the year produced an excess of revenues over expenditures and other financing uses of $3,468,980. Total revenues received were $2,986,005 over budget. Local revenue collected exceeded the budget by $658,424. This was a direct result of additional Real Estate current and delinquent tax collections received which were not included in the budget along with higher than anticipated collections of Real Estate Transfer Taxes. Funds received from State revenue exceeded the budget by $1,044,484 as a result of additional Pre K Counts grant funding, PSERS, and Rental and sinking Funds reimbursements being greater than originally indicated. Federal revenues were $1,283,097 more than anticipated as a result of additional funding from Title I, 21st Century, and PCCD COVID-19 Pandemic grant funding.

Total expenditures were under budget by $857,848. Instructional expenditures were $224,273 over spent, which was attributed to the additional technology hardware purchased to support learning during the COVID-19 Pandemic shutdown. Support services were under spent by $593,897 this was primarily a result of not transporting students and other budgeted costs not incurred due to the COVID-19 Pandemic shutdown.

The District's conservative approach to budgeting is observed by the results indicating that actual revenues were greater than budgeted revenues and actual expenditures were under spent as a result of the additional grants received, which were not included in the original budgeted expenditures. Without such a conservative approach, the expenditures should have been overspent by the full amount of the additional grant money received. As it is, most of the grant expenditures were absorbed by the original budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the Pottstown School District, capital assets include land, buildings, furniture and equipment, vehicles, and other items which meet the following criteria:

1. The individual asset must have a useful life of greater than one year.
2. The individual asset cost is equal to or greater than $2,500 or was purchased with debt proceeds.

The District maintains fixed asset records for the above capital assets, as well as for items costing over $500 with a life extending at least one year. Each department or school is responsible for the protection of these assets.

At June 30, 2020, the District had $54,408,404 (net of depreciation) invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture and equipment. Total depreciation expense for the year was $3,300,524 for governmental activities and $8,090 for business-type activities. Additions were made to governmental activities in the amount of $1,316,612. With the Elementary Schools projects completed, capital assets will continue to decrease, as depreciation will normally exceed the annual improvements. More detailed information about our capital assets are included in Note 7 to the financial statements.

Figure A-6 Capital Assets (Net of Depreciation, in Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Land and Constr. In Proc.	$ 0.4	$ 0.5	$ -	$ -	$ 0.4	$ 0.5
Site improvements	1.7	1.7	-	-	1.7	1.7
Buildings and building improvements	51.4	53.4	-	-	51.4	53.4
Furniture and equipment	0.8	0.7	0.1	-	0.9	0.7
	$ 54.3	$ 56.3	$ 0.1	$ -	$ 54.4	$ 56.3

Long-Term Debt

At year-end, the District had $45,624,317of general obligation bonds and notes payable, net of discounts and premiums. This is a decrease of $2,040,504 from the previous year as a result of debt payments. Other obligations include compensated absences (accrued vacation pay and sick leave for specific employees of the District). More detailed information about our long-term liabilities is included in Note 8 to the financial statements.

Figure A-7 Outstanding Long-Term Debt (In Millions of Dollars)

	2019-20	2018-19
General obligation bonds and notes	$ 45.6	$ 47.6
Other general obligation debt (compensated absences)	0.5	0.4
	$ 46.1	$ 48.0

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future financial growth.

- The District has completed the Elementary Schools Project. The decision has been made to maintain the Administration Building & Edgewood Elementary. Improvements will be necessary in the not too distant future to maintain both buildings for the long-term. Necessary improvements may include items such as HVAC repair, mechanical upgrades, plumbing repairs, window replacement, masonry repairs, asbestos abatement and cosmetic upgrades such as paint, carpeting, and flooring.

- The Pennsylvania School Employees Retirement System continues to reset the percentage of payroll that school districts must pay as the actuarial projections based on required investment returns are not met. The actual and projected rates for employer contributions were, again, recently increased as follows:

    - 2010-11 was 5.64%
    - 2011-12 was 8.65% - an increase of 53.4%
    - 2012-13 was 12.36% - an increase of 42.9%
    - 2013-14 was 16.93% - an increase of 37.0%
    - 2014-15 was 21.4% - an increase of 26.4%
    - 2015-16 was 25.84% - an increase of 20.8%
    - 2016-17 was 30.03% - an increase of 16.2%
    - 2017-18 was 32.57% - an increase of 8.45%
    - 2018-19 was 33.43% - an increase of 2.6%
    - 2019-20 was 34.29% - an increase of 2.57%
    - 2020-21 is 34.51% - an increase of .64%
    - 2021-22 projected to be 34.94% - an increase of 1.25%
    - 2022-23 projected to be 35.62%- an increase of 1.95%
    - 2023-24 projected to be 36.12%- an increase of 1.40%

  Starting with 2010-2011 through 2019-2020 the rate increases from 5.64% to 34.29%, an increase of 508% over the last eight years. Over the next four years, 2021-20 through 2023-24 the rate increases from 34.51% to 36.12%, an increase of 1.83%. From 2010-11 to 2023-24 the projected rate increases from 5.64% to 36.12% or 540% over this 14-year period. (Based on PSERS projections from 12/3/2020.)

- Prior to the latest projections, the PSERS rate was expected to be at its maximum level in 2019-20. With the most recent revised projections, the rates will not reach their maximum level prior to 2027-28. Current projections were not available beyond the 2027-2028 school year. The federal mandates, "Student Success Act" which replaces “No Child Left Behind” and IDEA requirements exceed the federal funding available to support these mandates. As a result, these mandates will require additional costs to the taxpayers to meet the requirements.

- The District anticipates rising health care costs in the ensuing fiscal years, as indicators report increases significantly above the index. The District moved to the self-funded SEPaST, comprised of various county districts, to realize administrative savings on health benefits.

- The Affordable Health Care Act will also place a burden on the District through additional manpower to comply along with the potential to consider alternative health care plans.

- The Governor and state legislature passed Act 1 of the 2006 Special Session - Taxpayer Relief Act that has an effect on how school districts budget and raise revenue for education since the 2007-08 fiscal year. This legislation restricts the School District's ability to increase property taxes without voter approval of the District's budget if the budget exceeds an annual inflation index determined by the Commonwealth. The District has never exceeded the index and only raised taxes to half (50%) of the allowable rate as indicated by the index for the 2012-13 school year while there was no tax increase in the 2015-16, 2016-17, and 2017-18 school years. The District raised taxes to the adjusted index 3.5% for a millage rate of 40.62 in 2018-2019 and raised taxes to the adjusted index 3.3% for a millage rate of 41.96 in 2019-2020. The District did not raise taxes in 2020-2021, the millage rate remains at 41.96.

- Legislation was passed which eliminates all but three exceptions of the original exceptions passed under the Act 1 of the 2006 Special Session, allowing Districts to increase local tax effort above the Index without voter approval. The three remaining exceptions are retirement, debt, and special education expenses.

- The District currently has a labor agreement with the Federation of Pottstown Teachers with a contract period of August 31, 2019 through September 1, 2022.

- With the change in Governor and legislators, there is uncertainty in the financial support for public schools at the state level. There is also momentum building for real estate tax elimination that would significantly hinder the District's ability to meaningfully impact school finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Pottstown School District, 230 Beech Street, Pottstown, PA 19464.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 20,359,429	$ 2,474,004	$ 22,833,433
Taxes receivable, net	2,896,339	-	2,896,339
Internal balances	1,157,198	(1,157,198)	-
Intergovernmental receivables	4,366,135	35,402	4,401,537
Other receivables	83,211	84	83,295
Inventories	10,840	28,422	39,262
Prepaid expenses	195,255	-	195,255
Funds held by Southeastern Pennsylvania Schools Trust	2,173,739	-	2,173,739
Capital assets not being depreciated	379,090	-	379,090
Capital assets, net of accumulated depreciation	53,959,021	70,293	54,029,314
TOTAL ASSETS	85,580,257	1,451,007	87,031,264
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	543,278	-	543,278
Deferred outflows of resources for pension	10,537,258	463,260	11,000,518
Deferred outflows of resources for other postemployment benefits	1,043,048	136,426	1,179,474
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,123,584	599,686	12,723,270
LIABILITIES			
Accounts payable	1,806,422	2,804	1,809,226
Accrued interest	158,702	-	158,702
Payroll accruals and withholdings	6,403,808	28,390	6,432,198
Unearned revenues	17,440	2,796	20,236
Other liabilities	7,919	-	7,919
Noncurrent liabilities, due within one year	2,220,895	-	2,220,895
Noncurrent liabilities:			
Bonds and notes payable, net	43,403,422	-	43,403,422
Long-term portion of compensated absences	506,558	21,497	528,055
Net pension liability	80,804,911	1,953,089	82,758,000
Net other postemployment benefit liabilities	11,400,530	257,510	11,658,040
TOTAL LIABILITIES	146,730,607	2,266,086	148,996,693
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	5,619,065	130,933	5,749,998
Deferred inflows of resources for other postemployment benefits	859,746	9,278	869,024
TOTAL DEFERRED INFLOWS OF RESOURCES	6,478,811	140,211	6,619,022
NET POSITION			
Net investment in capital assets	9,257,072	70,293	9,327,365
Restricted for:			
Capital projects	2,189,511	-	2,189,511
Health claims	2,304,739	-	2,304,739
Other	130,815	-	130,815
Unrestricted (deficit)	(69,387,714)	(425,897)	(69,813,611)
TOTAL NET POSITION (DEFICIT)	$ (55,505,577)	$ (355,604)	$ (55,861,181)

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
Instruction	$ 40,683,994	$ -	$ 14,138,772	$ -	$ (26,545,222)	$ -	$ (26,545,222)
Instructional student support	6,414,415	-	1,403,783	-	(5,010,632)	-	(5,010,632)
Administrative and financial support services	5,581,099	-	667,117	-	(4,913,982)	-	(4,913,982)
Operation and maintenance of plant services	6,522,025	169,757	552,399	-	(5,799,869)	-	(5,799,869)
Pupil transportation	2,074,593	-	676,950	-	(1,397,643)	-	(1,397,643)
Student activities	935,263	59,837	107,792	-	(767,634)	-	(767,634)
Community services	74,094	-	6,462	-	(67,632)	-	(67,632)
Interest on long-term debt	1,299,875	-	-	1,145,260	(154,615)	-	(154,615)
Total Governmental Activities	63,585,358	229,594	17,553,275	1,145,260	(44,657,229)	-	(44,657,229)
Business-Type Activities							
Food service	2,141,496	63,786	2,357,989	-	-	280,279	280,279
Total Primary Government	$ 65,726,854	$ 293,380	$ 19,911,264	$ 1,145,260	(44,657,229)	280,279	(44,376,950)
General Revenues							
Taxes:							
Property taxes					30,175,615	-	30,175,615
Public utility realty, earned income, local service and mercantile taxes					3,303,076	-	3,303,076
Grants, subsidies, and contributions not restricted to specific programs					14,237,865	-	14,237,865
Investment earnings					441,933	18,809	460,742
Miscellaneous income					81,834	-	81,834
Transfers					82,450	(82,450)	-
Total General Revenues and Transfers					48,322,773	(63,641)	48,259,132
Change in Net Position					3,665,544	216,638	3,882,182
Net Position (Deficit) - Beginning of Year					(59,171,121)	(572,242)	(59,743,363)
Net Position (Deficit) - End of Year					$ (55,505,577)	$ (355,604)	$ (55,861,181)

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 19,453,492	$ 774,666	$ 131,271	$ 20,359,429
Interfund receivables	105,448	1,414,845	-	1,520,293
Taxes receivable	2,948,780	-	-	2,948,780
Intergovernmental receivables	4,366,135	-	-	4,366,135
Other receivables	83,211	-	-	83,211
Inventories	10,840	-	-	10,840
Prepaid expenditures	64,255	-	-	64,255
TOTAL ASSETS	$ 27,032,161	$ 2,189,511	$ 131,271	$ 29,352,943
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payable	$ 1,895,969	$ -	$ -	$ 1,895,969
Accounts payable	1,805,966	-	456	1,806,422
Accrued salaries and benefits	6,138,014	-	-	6,138,014
Payroll deductions and withholdings	265,794	-	-	265,794
Unearned revenues	17,440	-	-	17,440
Other liabilities	7,919	-	-	7,919
TOTAL LIABILITIES	10,131,102	-	456	10,131,558
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,622,032	-	-	2,622,032
FUND BALANCES				
Nonspendable	75,095	-	-	75,095
Restricted	-	2,189,511	130,815	2,320,326
Committed:				
PSERS increase	3,799,409	-	-	3,799,409
Assigned:				
Capital projects	1,361,626	-	-	1,361,626
Transportation	2,102,329	-	-	2,102,329
Appropriated 2020/2021 budget	1,707,479	-	-	1,707,479
Unassigned	5,233,089	-	-	5,233,089
TOTAL FUND BALANCES	14,279,027	2,189,511	130,815	16,599,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 27,032,161	$ 2,189,511	$ 131,271	$ 29,352,943

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

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

June 30, 2020

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 16,599,353
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 $107,334,139 and the accumulated depreciation is $52,996,028.		54,338,111
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		2,569,591
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and notes payable	$ (44,796,895)	
Accrued interest on bonds	(158,702)	
Unamortized bond premium	(975,655)	
Unamortized bond discount	148,233	
Deferred charge on bond refunding	543,278	
Long-term portion of compensated absences	(506,558)	(45,746,299)
The net pension liability and related deferred outflows and inflows of resources of pensions are not reflected on the fund financial statements.		(75,886,718)
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.		(11,217,228)
An internal service fund is used by the District to account for future self-insured healthcare costs. The assets and liabilities of the internal service fund are reported with governmental activities.		3,837,613
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (55,505,577)

POTTSTOWN SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	$ 35,074,208	$ 30,132	$ 40,315	$ 35,144,655
State sources	28,234,987	-	-	28,234,987
Federal sources	3,522,299	-	-	3,522,299
TOTAL REVENUES	66,831,494	30,132	40,315	66,901,941
EXPENDITURES				
Current:				
Instructional services	39,956,778	-	-	39,956,778
Support services	18,106,659	-	358,219	18,464,878
Operation of noninstructional services	900,368	-	31,010	931,378
Capital outlay	770,093	-	-	770,093
Debt service:				
Principal	2,432,000	-	-	2,432,000
Interest	1,223,334	-	36,377	1,259,711
Refund of prior year revenues	55,732	-	-	55,732
TOTAL EXPENDITURES	63,444,964	-	425,606	63,870,570
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,386,530	30,132	(385,291)	3,031,371
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	19,445,000	19,445,000
Bond premium	-	-	931,992	931,992
Transfers in	82,450	-	-	82,450
Current refunding debt service principal	-	-	(19,892,105)	(19,892,105)
Bond discount	-	-	(96,783)	(96,783)
TOTAL OTHER FINANCING SOURCES (USES)	82,450	-	388,104	470,554
NET CHANGE IN FUND BALANCES	3,468,980	30,132	2,813	3,501,925
FUND BALANCES - BEGINNING OF YEAR	10,810,047	2,159,379	128,002	13,097,428
FUND BALANCES - END OF YEAR	$ 14,279,027	$ 2,189,511	$ 130,815	$ 16,599,353

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 3,501,925
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlays	$ 1,316,612	
Less: depreciation expense	(3,300,524)	
Net loss on disposal of capital assets	(4,947)	(1,988,859)
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.		241,457
Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of bond and note principal	2,432,000	
Current refunding debt service principal	19,892,105	
Issuance of refunding bonds	(19,445,000)	
Bond premium incurred	(931,992)	
Bond discount incurred	96,783	
Amortization of bond premium	9,284	
Amortization of bond discount	(12,676)	
Amortization of deferred charge on bond refunding	(51,262)	1,989,242
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources.		14,490
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	(93,860)	
Net pension liability and related deferred outflows and inflows	189,701	
Net OPEB liability and related deferred outflows and inflows	(257,163)	(161,322)
An internal service fund is used to account for future self-insured healthcare costs charged to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		68,611
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ 3,665,544

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2020

	Enterprise Fund Food Service	Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 2,474,004	$ -
Interfund receivables	5,000	1,532,874
Intergovernmental receivables	35,402	-
Other receivables	84	-
Inventories	28,422	-
Funds held by Southeastern Pennsylvania Schools Trust	-	2,173,739
TOTAL CURRENT ASSETS	2,542,912	3,706,613
NONCURRENT ASSETS		
Long-term deposit	-	131,000
Furniture and equipment, net	70,293	-
TOTAL ASSETS	2,613,205	3,837,613
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension	463,260	-
Deferred outflows of resources for other postemployment benefits	136,426	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	599,686	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,804	-
Interfund payable	1,162,198	-
Accrued salaries and benefits	28,390	-
Unearned revenues	2,796	-
TOTAL CURRENT LIABILITIES	1,196,188	-
NONCURRENT LIABILITIES		
Compensated absences	21,497	-
Net pension liability	1,953,089	-
Net other postemployment benefit liabilities	257,510	-
TOTAL LIABILITIES	3,428,284	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension	130,933	-
Deferred inflows of resources for other postemployment benefits	9,278	-
TOTAL DEFERRED INFLOWS OF RESOURCES	140,211	-
NET POSITION (DEFICIT)		
Net investment in capital assets	70,293	-
Restricted for health claims	-	2,173,739
Restricted terminal liability reserve	-	131,000
Unrestricted (deficit)	(425,897)	1,532,874
TOTAL NET POSITION (DEFICIT)	$ (355,604)	$ 3,837,613

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Enterprise Fund Food Service	Internal Service Fund
OPERATING REVENUES		
Food service revenue	$ 63,786	$ -
Charges for services	-	5,974,750
TOTAL OPERATING REVENUES	63,786	5,974,750
OPERATING EXPENSES		
Salaries	554,238	-
Employee benefits	381,070	-
Pension and OPEB valuation adjustments	71,483	-
Purchased property services	19,121	-
Supplies	1,095,779	-
Depreciation	8,090	-
Other operating costs	11,715	-
Health claims and administrative expenses	-	5,936,140
TOTAL OPERATING EXPENSES	2,141,496	5,936,140
OPERATING INCOME (LOSS)	(2,077,710)	38,610
NONOPERATING REVENUES		
Earnings on investments	18,809	30,001
State sources	204,754	-
Federal sources	2,153,235	-
TOTAL NONOPERATING REVENUES	2,376,798	30,001
INCOME BEFORE TRANSFERS	299,088	68,611
TRANSFERS OUT	(82,450)	-
CHANGE IN NET POSITION	216,638	68,611
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(572,242)	3,769,002
NET POSITION (DEFICIT) - END OF YEAR	$ (355,604)	$ 3,837,613

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Enterprise Fund Food Service	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from users	$ 68,988	$ 5,906,825
Payments to employees for services	(931,012)	-
Payments for supplies and other operating expenses	(1,001,257)	-
Payments for health claims and administrative expenses	-	(5,936,826)
NET CASH USED FOR OPERATING ACTIVITIES	(1,863,281)	(30,001)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	205,686	-
Federal sources	2,043,510	-
Interfund borrowings	937,025	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,186,221	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(8,837)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	18,809	30,001
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,332,912	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,141,092	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,474,004	$ -

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED

For the Year Ended June 30, 2020

	Enterprise Fund Food Service	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities:		
Operating income (loss)	$ (2,077,710)	$ 38,610
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Depreciation	8,090	-
Donated commodities used	134,149	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Other receivables	(13)	217,012
Inventories	(9,891)	-
Funds held by Southeastern Pennsylvania Schools Trust	-	(686)
Interfund balances	4,165	(284,937)
Deferred outflows of resources for pension	(171,352)	-
Deferred outflows of resources for other postemployment benefits	5,443	-
Accounts payable	1,480	-
Accrued salaries and benefits	7,298	-
Unearned revenues	670	-
Compensated absences	(3,002)	-
Net pension liability	223,032	-
Net other postemployment benefit liabilities	(9,445)	-
Deferred Inflows of resources for pension	21,582	-
Deferred inflows of resources for other postemployment benefits	2,223	-
Total adjustments	214,429	(68,611)
NET CASH USED FOR OPERATING ACTIVITIES	$ (1,863,281)	$ (30,001)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used $134,149 of commodities from the U.S. Department of Agriculture.

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	Private Purpose Trust Fund	Agency Funds (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 84,216	$ 161,589
TOTAL ASSETS	84,216	161,589
LIABILITIES		
CURRENT LIABILITIES		
Other current liabilities	-	$ 161,589
NET POSITION HELD IN TRUST	$ 84,216	

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2020

	Private Purpose Trust Fund
ADDITIONS	
Contributions	$ 64,260
Earnings on investments	1,568
TOTAL ADDITIONS	65,828
DEDUCTIONS	
Purchased services	63,246
CHANGE IN NET POSITION	2,582
NET POSITION - BEGINNING OF YEAR	81,634
NET POSITION - END OF YEAR	$ 84,216

Pottstown School District ("School District" or the "District") is located in Montgomery County, Pennsylvania. The District is comprised of five elementary schools, one middle school, and one high school, and serves approximately 3,000 students.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pottstown 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 (the primary government) 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 a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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

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

Jointly Governed Organization: The District is a participating member of the Montgomery County Intermediate Unit (MCIU). The MCIU 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 MCIU's annual operating budget.

The MCIU 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 MCIU. The MCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

B. Basis of Presentation - Government-Wide Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

C. Basis of Presentation - Fund Financial Statements

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

The District Reports the Following Major Governmental Funds:

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

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

The District 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.

Additionally, the District Reports the Following Fund Types:

Internal Service Fund: This fund accounts for the financing of services provided to other departments or agencies of the government on a cost reimbursement basis. The District's internal service fund is a major proprietary fund used to account for the activity related to the District's self-insured medical, vision, and prescription drug plan. Since this fund supports largely governmental activities, it is included in governmental activities in the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the District Reports the Following Fund Types - continued:

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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

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

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

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

E. Budgetary Process

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option

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

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education (PDE) 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

2. Investments

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

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

3. Interfund Transactions

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

4. Inventories and Prepaid Items

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

Inventories of the governmental funds, consisting principally of paper supplies, are recorded under the purchase method. Under the purchase method inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund. The general fund is the only governmental fund that has a material inventory balance at June 30, 2020, in the amount of $10,840.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2020, consisted of the following:

Purchased food and supplies	$	27,492
Donated commodities		930
	$	28,422

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

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

5. Capital Assets, Depreciation, and Amortization

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

The District generally capitalizes assets with a cost of $2,500 or more as purchase and construction outlays occur. 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, including those of component units, 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:

Buildings and building improvements	5 - 40 years
Site improvements	15 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Valuation of Long-Lived Assets

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

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 and sick days based on employment agreements. Payments for vacation and sick pay are expensed as paid in the governmental fund statements. Accumulated vacation 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 or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

9. Long-Term Obligations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Long-Term Obligations - continued

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

10. Pension

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

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 Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Postemployment Benefits (OPEB)

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

PSERS OPEB Plan

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Other Postemployment Benefits (OPEB) - continued

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

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.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Deferred Outflows/Inflows of Resources - continued

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Fund Balance Policies and Flow Assumptions - continued

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

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

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

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

G. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)
For the year ended June 30, 2020, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions,* GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* created the following deficiency in net position as of June 30, 2020:

	Food Service Fund
Net position before effects of GASB statements noted below	$ 1,395,520
Cumulative effect of GASB statement Nos. 68 and 71	(1,620,762)
Cumulative effect of GASB statement No. 75	(130,362)
Ending net position (deficit)	$ (355,604)

The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at the required rate certified annually by PSERS.

NOTE 3 - CASH AND INVESTMENTS

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

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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

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

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

The carrying amount of cash and investments at June 30, 2020, consists of the following:

Petty cash	$ 987
Demand deposit accounts	12,842,209
Bank certificates of deposit	23,198
Pooled cash and investments	10,212,844
	$ 23,079,238

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 have a policy for custodial credit risk on deposits. At June 30, 2020, the carrying amount of the District's deposits was $12,865,407 and the bank balance was $12,866,579. Of the bank balance, $449,113 was covered by federal depository insurance, and $12,417,466 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

Included in custodial credit risk above are certificates of deposit held by the District.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

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

	Maturities	Fair Value	Carrying Value
PA School District Liquid Asset Fund:			
Full Flex Pool	< 1 year	$ 6,000,000	$ 6,000,000
MAX Account Balance		4,389,528	4,389,528
Total			10,389,528
Less: reconciling items			(176,684)
Total investments			$ 10,212,844

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 $10,389,528 (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 were in the Pennsylvania School District Liquid Asset Fund (PSDLAF). PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of $1 per share, is rated by nationally recognized statistical rating organization, and is subject to an independent annual audit.

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

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

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

As of June 30, 2020, the entire PSDLAF book balance of $10,212,844 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

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

Concentration of Credit Risk

The District does not have a policy that would limit the amount it may invest in any one issuer. The District has no investments subject to this risk.

Custodial Credit Risk

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

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has one independently elected tax collector who is responsible for the collection of taxes. 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's Board of Assessment. All taxable real property was assessed at $764,486,739. In accordance with Act 1 of 2006, the District received $1,619,578 in property tax reduction funds for the 2019/2020 fiscal year. The District tax rate for the year ended June 30, 2020, was 41.9666 mills ($41.9666 per $1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date - All taxes unpaid become delinquent and are turned over to a third party for collection.

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

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

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate	$ 2,869,493	$ 52,441	$ 2,817,052	$ 247,461	$ 2,622,032
Real estate transfer tax	73,078	-	73,078	73,078	-
Earned income tax	2,200	-	2,200	2,200	-
Other	4,009	-	4,009	4,009	-
	$ 2,948,780	$ 52,441	$ 2,896,339	$ 326,748	$ 2,622,032

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

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

Name of Government Unit	General Fund	Enterprise Food Service
Commonwealth of PA:		
Pre-K Counts	$ 618,477	$ -
Retirement	2,205,840	-
Rental subsidy	21,545	-
Social Security	418,682	-
National School Lunch/Breakfast Programs	-	1,430
Federal Subsidies:		
Title I Grants to local educational agencies	338,843	-
Supporting Effective Instruction State Grants	12,144	-
English Language Acquisition State Grants	3,720	-
Title IV Student Support and Academic Enrichment	73,755	-
Career and technical training	11,880	-
Special education - preschool grants	3,686	-
Basic, Applied, and Advanced Research in Science and Engineering	3,305	-
COVID-19 Coronavirus Relief Fund	244,460	-
21st Century Community Learning Centers	396,895	-
Medical assistance program	12,903	-
COVID-19 National School Lunch / Breakfast Programs	-	33,972
	$ 4,366,135	$ 35,402

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The District had the following interfund receivables/payables at June 30, 2020:

	Interfund Receivables	Interfund Payables
General Fund	$ 105,448	$ 1,895,969
Capital Projects Fund	1,414,845	-
Food Service Fund	5,000	1,162,198
Internal Service Fund	1,532,874	-
	$ 3,058,167	$ 3,058,167

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

Interfund transfers are summarized as follows:

	Transfers In	Transfers Out
General Fund	$ 82,450	$ -
Food Service Fund	-	82,450
	$ 82,450	$ 82,450

Transfer was made from the Food Service Fund to the General Fund to cover indirect costs.

NOTE 7 - CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 298,222	$ -	$ -	$ 298,222
Construction-in-progress	189,551	446,587	(555,270)	80,868
Total not being depreciated	487,773	446,587	(555,270)	379,090
Capital assets being depreciated:				
Buildings and building improvements	91,256,665	377,615	555,270	92,189,550
Site improvements	4,023,838	236,604	(12,371)	4,248,071
Furniture and equipment	9,980,401	226,059	-	10,206,460
Vehicles	281,221	29,747	-	310,968
Total being depreciated	105,542,125	870,025	542,899	106,955,049
Less accumulated depreciation for:				
Buildings and building improvements	37,852,115	2,931,568	-	40,783,683
Site improvements	2,359,167	142,468	(7,424)	2,494,211
Furniture and equipment	9,265,356	198,156	-	9,463,512
Vehicles	226,290	28,332	-	254,622
Total accumulated depreciation	49,702,928	3,300,524	(7,424)	52,996,028
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	55,839,197	(2,430,499)	550,323	53,959,021
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 56,326,970	$ (1,983,912)	$ (4,947)	$ 54,338,111
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	$ 929,253	$ 8,837	$ -	$ 938,090
Less accumulated depreciation for:				
Furniture and equipment	859,707	8,090	-	867,797
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 69,546	$ 747	$ -	$ 70,293

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	$ 810,942
Instructional student support	491,055
Administration and financial support services	171,013
Operation and maintenance of plant services	1,719,215
Pupil transportation	63,068
Student activities	34,534
Community services	10,697
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$ 3,300,524

NOTE 8 - LONG-TERM LIABILITIES

The District issues general obligation bonds and notes to provide resources for major capital improvements. The bonds and notes are direct obligations issued on a pledge of the full faith and credit of the District as well as their general taxing authority. The Districts general obligations notes are direct borrowings. Bonds and notes payable are as follows at June 30, 2020:

General Obligation Bonds, Series of 2020: The General Obligation Bonds, Series of 2020, aggregate principal of $9,785,000, were issued on June 25, 2020, for the purpose of currently refunding the outstanding General Obligation Bonds, Series of 2013 and 2017 and General Obligation Notes, Series of 2015. The bonds mature from June 1, 2021, to June 1, 2027. Interest rates range from 1.0% to 4.0%. Total cash flow savings was $319,056 related to the current refunding.	$ 9,785,000
General Obligation Bonds, Series A of 2019: The General Obligation Bonds, Series A of 2019, aggregate principal of $9,660,000, were issued on November 25, 2019, for the purpose of currently refunding a portion of General Obligation Bonds, Series of 2017. The bonds mature from September 1, 2020, to September 1, 2032. Interest rates range from 1.375% to 4.0%. Total cash flow savings was $519,658 related to the current refunding.	9,660,000

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds, Series of 2019: The General Obligation Bonds, Series of 2019, aggregate principal of $7,040,000, were issued on March 13, 2019, for the purpose of currently refunding the outstanding General Obligation Bonds, Series of 2014. The bonds mature from December 1, 2019, to December 1, 2034. Interest rates range from 1.75% to 3.3%. Total cash flow savings was $702,097 related to the current refunding.	7,020,000
General Obligation Bonds, Series of 2018: The General Obligation Bonds, Series of 2018, aggregate principal of $9,315,000, were issued on December 11, 2018, for the purpose of currently refunding the outstanding General Obligation Note, Series of 2000. The bonds mature from April 1, 2019, to October 1, 2027. Interest rates range from 2.0% to 3.0%.	8,360,000
General Obligation Bonds, Series of 2017: The General Obligation Bonds, Series of 2017, aggregate principal of $9,996,000, were issued on October 24, 2017, for the purpose of currently refunding the outstanding General Obligation Bonds, Series of 2011 and advanced refunding a portion of the outstanding General Obligation Bonds, Series of 2013. The bonds mature from September 1, 2018, to September 1, 2032. The interest rate is fixed at 2.55% through September 1, 2027, at which point it becomes variable at 68% of the Wall Street Journal Prime Rate with a cap of 4.5%. A portion of the bonds were refunded with the issuance of GOB Series A of 2019 and GOB Series of 2020.	3,895
General Obligation Bonds, Series of 2016: The General Obligation Bonds, Series of 2016, aggregate principal of $9,995,000, were issued on November 1, 2016, for the purpose of currently refunding a portion of the outstanding General Obligation Bonds, Series of 2011 and providing funds for various capital projects of the District. The bonds mature from January 1, 2017, to January 1, 2031. Interest rates range from 0.75% to 3.0%. Total cash flow savings was $128,755 related to the current refunding.	9,700,000
General Obligation Notes, Series of 2002: The General Obligation Notes, Series of 2002, aggregate principal of $2,000,000, were issued on November 12, 2002, for the purpose of financing certain renovations and improvements of buildings within the District. The bonds mature from June 25, 2004, to June, 25, 2022. Interest rates are variable. The interest rate was 1.966% at June 30, 2020.	268,000
Total bonds and notes payable	$ 44,796,895

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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

	Bonds		Direct Borrowing Notes		Total	
	Principal	Interest	Principal	Interest *	Principal	Interest *
2021	$ 2,088,895	$ 1,225,614	$ 132,000	$ 5,269	$ 2,220,895	$ 1,230,883
2022	2,410,000	1,207,446	136,000	2,674	2,546,000	1,210,120
2023	2,640,000	1,120,914	-	-	2,640,000	1,120,914
2024	2,735,000	1,027,111	-	-	2,735,000	1,027,111
2025	2,825,000	931,877	-	-	2,825,000	931,877
2026 - 2030	15,075,000	3,342,135	-	-	15,075,000	3,342,135
2031 - 2035	16,755,000	1,249,438	-	-	16,755,000	1,249,438
	$ 44,528,895	$ 10,104,535	$ 268,000	$ 7,943	$ 44,796,895	$ 10,112,478

* Interest for variable rate debt is calculated at the interest rate in effect at year end (1.966% for GON 2002).

<u>General Obligation Bonds - Series of 2002 Interest Rate Management Plan</u>
These General Obligation Bonds of the District have been issued to the Delaware Valley Regional Finance Authority ("DelVal"). DelVal was formed by four counties in Southeastern Pennsylvania under the provisions of the Pennsylvania Municipality Authorities Act to provide loans to local governments (“participants”) located in the Commonwealth of Pennsylvania for capital projects. DelVal obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DelVal and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to participants, DelVal has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DelVal and the financial institutions are terminated and the value of the swaps to DelVal at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. At June 30, 2020, swap agreements relative to the General Obligation Bonds had a positive market value of $186,099. The market value is the estimated price that DelVal would receive if the agreements were terminated as of June 30, 2020, and are not reflected on the District's statement of net position (deficit).

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation debt:					
Bonds payable	$ 37,650,000	$ 19,445,000	$ 12,566,105	$ 44,528,895	$ 2,088,895
Bond discounts	(64,126)	(96,783)	(12,676)	(148,233)	-
Bond premiums	52,947	931,992	9,284	975,655	-
Total bonds payable	37,638,821	20,280,209	12,562,713	45,356,317	2,088,895
Direct borrowing notes payable	10,026,000	-	9,758,000	268,000	132,000
Bonds and notes payable, net	47,664,821	20,280,209	22,320,713	45,624,317	2,220,895
Compensated absences	412,698	434,944	341,084	506,558	-
Net pension liability	82,662,943	5,815,402	7,673,434	80,804,911	-
Net other postemployment benefit liabilities	11,164,050	795,519	559,039	11,400,530	-
Total Governmental Long-term Liabilities	$ 141,904,512	$ 27,326,074	$ 30,894,270	$ 138,336,316	$ 2,220,895
Business-Type Activities					
Compensated absences	$ 24,499	$ 7,204	$ 10,206	$ 21,497	$ -
Net pension liability	1,730,057	408,185	185,153	1,953,089	-
Net other postemployment benefit liabilities	266,955	13,799	23,244	257,510	-
Total Business-Type Long-term Liabilities	$ 2,021,511	$ 429,188	$ 218,603	$ 2,232,096	$ -

Funds to repay outstanding bonds and notes will be provided from future taxes or other general revenues of the general fund. The compensated absence liabilities will be liquidated by the general fund and the food service fund. Total interest expense paid during the year was $1,259,711. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

Events of Default

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

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members), or who has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Changes in Benefit Terms

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

Contributions

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

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $8,152,482 for the year ended June 30, 2020.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

<u>Contributions - continued</u>

Employer Contributions - continued:

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020, for pension and OPEB benefits was $5,679,405.

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

At June 30, 2020, the District reported a liability of $82,758,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1769%, which was an increase of 0.0011% from its proportion measured as of June 30, 2019.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2020, the District recognized pension expense of $8,036,043. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 456,000	$ 2,743,000
Changes of assumptions	791,000	-
Net difference between projected and actual investment earnings	-	237,000
Changes in proportion - plan level	1,051,000	2,568,000
Changes in proportion - internal	201,998	201,998
Difference between employer contributions and proportionate share of total contributions	348,038	-
Contributions made subsequent to the measurement date	8,152,482	-
	$ 11,000,518	$ 5,749,998

The $8,152,482 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	$ (262,733)
2022	(2,146,533)
2023	(626,011)
2024	133,315
	$ (2,901,962)

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2018 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.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

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

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.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	$ 103,085,000	$ 82,758,000	$ 65,547,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of $3,232,008. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2020.

Pension Reform - Commonwealth of Pennsylvania Act 5 of 2017

On June 12, 2017, Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan design options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members after June 30, 2019. Contributions to the defined contribution pension plan from the District were $21,994 for the year ended June 30, 2020.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

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

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	$ 3,762,000	$ 419,278	$ 279,000
District OPEB Plan	7,896,040	760,196	590,024
Total	$ 11,658,040	$ 1,179,474	$ 869,024

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

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

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $205,278 for the year ended June 30, 2020.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions - continued

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2019, for pension and OPEB benefits was $5,679,405.

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

At June 30, 2020, the District reported a liability of $3,762,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1769%, which was an increase of 0.0011% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of $161,081. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 21,000	$ -
Changes of assumptions	125,000	112,000
Difference between projected and actual investment earnings	6,000	-
Changes in proportion	62,000	167,000
Contributions made subsequent to the measurement date	205,278	-
	$ 419,278	$ 279,000

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

The $205,278 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	$ (19,000)
2022	(19,000)
2023	(20,000)
2024	(21,000)
2025	(4,000)
Thereafter	18,000
	$ (65,000)

Actuarial Assumptions

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

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

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

The following assumptions were used to determine the contribution rate:

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

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

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

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

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

PSERS OPEB Plan - continued

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

Discount Rate

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

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

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

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

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
District's proportionate share of the net OPEB liability	$ 3,762,000	$ 3,762,000	$ 3,763,000

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

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

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

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	$ 4,286,000	$ 3,762,000	$ 3,328,000

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of $3,232,008. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 2020.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

Pottstown School District administers a single-employer, defined benefit, healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug insurance, and dental 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: Executive Team, Administrators, Teachers, and All Other Employees. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Executive Team

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
Must have 25 years of service with the district and be eligible for PSERS retirement.	Coverage Medical, Prescription Drug, Vision, Dental, Life Insurance, and Long-Term Care Premium Sharing District pays full premium for Medical, Prescription Drug, Vision, and Dental. District also pays for $50,000 in life insurance coverage and Long-Term Care (currently $20/month) for member only. Dependents Spouse included. Upon the death of a retiree, the spouse is able to continue equal coverage until the spouse is eligible for Medicare.	• For Medical, Prescription Drug, Dental, and Vision, members are covered until eligible for Medicare. • For Life Insurance and Long-Term Care, members are covered until age 70. • Spouses are covered until eligible for Medicare. Grandfathered Retiree: One retiree receives Medical, Prescription Drug, Dental, and Vision until age 72.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

II. Administrators

<table>
<tr><th>ELIGIBILITY</th><th>COVERAGE AND PREMIUM SHARING</th><th>DURATION</th></tr>
<tr><td>Must have 15 years of service with the district and be eligible for PSERS retirement.</td><td><u>Coverage</u>
Medical, Prescription Drug, Vision, and Dental

<u>Premium Sharing</u>
Member must pay full premium for Vision and Dental. For Medical and Prescription Drug, district will pay 100% of the single coverage premium for the core plan. Member pays for the remainder of the premium.

If the member does not meet the requirements for the district subsidy but requirements are met for the Act 110/43 benefit, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.

<u>Dependents</u>
Spouse and Family are included. Upon the death of a retiree, the spouse and any eligible dependents are able to continue coverage until the spouse is eligible for Medicare. In such case, the surviving spouse and any eligible dependents will pay 100% of the premiums.

Grandfathered Retiree: One retiree receives fully paid life insurance in the amount of $50,000 until age 70.</td><td>• For Medical, Prescription Drug, Dental and Vision, members are covered until eligible for Medicare.
• For Life Insurance and Long-Term Care, members are covered until eligible for Medicare.
• Spouses are covered until eligible for Medicare.

Grandfathered Retiree: One retiree receives Medical, Prescription Drug, Dental, and Vision until age 70.</td></tr>
</table>

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

III. Teachers

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
A) Retired between September 1, 1996 and June 30, 2007 N/A - Already Retired	Coverage Medical, Prescription Drug, Vision, and Dental Premium Sharing Member must pay full premium for Vision and Dental. For Medical and Prescription Drug, district will pay $175 per month towards member's premium only for up to ten years. Member pays for the remainder of the premium. After 10 years, member pays full premium for Medical and Prescription Drug. Dependents Spouse and Family are included. Upon the death of a retiree, the spouse and any eligible dependents are able to continue coverage until the spouse is eligible for Medicare. In such case, the surviving spouse and any eligible dependents will pay 100% of the premiums.	• Members are covered until eligible for Medicare. • Spouses are covered until eligible for Medicare.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

III. Teachers - continued

B) Retire between July 1, 2007 and June 30, 2008 or after July 1, 2009 Must have 15 years of service with the district (20 years of district service prior to July 1, 2016), 20 years of PSERS service and be eligible for PSERS retirement.	Coverage Medical, Prescription Drug, Vision, and Dental Premium Sharing Member must pay full premium for Vision and Dental. For Medical and Prescription Drug, if the member reaches 20 years of PSERS service with 15 years at the district (20 years at the district if retired prior to July 1, 2016) and is eligible for PSERS retirement, district will pay 100% of the single coverage premium for the core plan up to $5,500 per year ($5,000 if retired prior to July 1, 2015) for up to ten years. Members pays for the remainder of the premium. If the member does not reach the requirements for the district subsidy but meets the requirements for Act 110/43, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA. Dependents Spouse and Family are included. Upon the death of a retiree, the spouse and any eligible dependents are able to continue coverage until the spouse is eligible for Medicare. In such case, the surviving spouse and any eligible dependents will pay 100% of the premiums.	Same as IIIA
C) Retired between July 1, 2008 and June 30, 2009 N/A - Already retired	Act 110/43	Same as IIIA

IV. All Other Employees

Same as IIIB	Same as IIIB	Same as II

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

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 Retirement:

1) For individuals who are members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement with under 62 with 5 years of PSERS service or b) 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 retirement if he or she is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) 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.
3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Coordination with Medicare: District plan pays primary. Medicare pays secondary.

Employees Covered by Benefit Terms

At July 1, 2018, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	436
Retired participants	32
Total	468

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

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

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 3.36% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at 7/1/19.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - For Teachers, Administrators, and Executive Team, 100% are assumed to elect coverage if eligible for the district subsidy and 80% otherwise. For the Support Staff, 95% are assumed to elect coverage if eligible for the district subsidy, and 75% otherwise. For the Cafeteria Staff, 90% are assumed to elect coverage if eligible for the district subsidy, and 70% otherwise.

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	$ 7,766,005
Changes for the year:	
Service cost	482,506
Interest	239,636
Changes of assumptions or other inputs	(209,905)
Benefit payments	(382,202)
Net changes	130,035
Balance at June 30, 2020	$ 7,896,040

Changes of assumptions or other inputs reflect the following change: (1) the discount rate changed from 2.98% to 3.36%.

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

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

	1% Decrease 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
OPEB Plan - Total OPEB Liability	$ 8,457,369	$ 7,896,040	$ 7,364,868

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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB Liability	$ 7,249,336	$ 7,896,040	$ 8,665,298

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

For the year ended June 30, 2020, the District recognized OPEB expense of $704,626. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 94,572	$ 255,270
Changes of assumptions	260,579	334,754
Benefit payments made subsequent to the measurement date	405,045	-
	$ 760,196	$ 590,024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The $405,045 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 total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2021	$ (17,516)
2022	(17,516)
2023	(17,516)
2024	(17,516)
2025	(17,516)
Thereafter	(147,293)
Total	$ (234,873)

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation for which the District retains risk of loss. The District monitors their insured programs, hasn’t reduced any insurance coverage in the 19/20 year, and increases insurance coverage as needed. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Currently, the District is self-insured for medical and prescription insurance for employees and their dependents. The District is a member of the Southeastern Pennsylvania Schools Trust (SEPaST), a healthcare benefits consortium geared toward generating cost savings for participating school districts. The District uses SEPaST to provide consulting and administrative services to process claims within the self-insurance fund. For the year ended June 30, 2020, the District has coverage for claims in excess of $225,000 per person with no annual aggregate limit.

NOTE 11 - RISK MANAGEMENT - CONTINUED

Changes in claims are as follows for the years ended June 30:

	2020	2019
Claims payable, beginning of year	$ -	$ -
Incurred claims	5,936,140	5,784,350
Claims paid	(5,936,140)	(5,784,350)
Claims payable, end of year	$ -	$ -

As of June 30, 2020, the District maintains a balance of $2,173,739 in an escrow account held for future healthcare claims in compliance with the rating and funding policy of the Southeastern Pennsylvania Schools Trust (SEPaST).

NOTE 12 - CONTINGENCIES AND COMMITMENTS

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

The District is the defendant in several lawsuits arising in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been recorded.

During the 2019/2020 year, the District awarded a contract for work related to the roof repairs project totaling $636,823. At June 30, 2020, a balance of $555,955 remains outstanding on these commitments. The District plans to use existing resources in the general and capital projects fund to fulfill this commitment.

NOTE 13 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2020, are as follows:

General Fund
The General Fund has nonspendable funds of $75,095 related to inventories and prepaid expenditures. Committed funds are $3,799,409 for retirement rate increases. Assigned funds are $1,707,479 for appropriations for the 2020/2021 budget, $2,102,329 for transportation, and $1,361,626 for future capital needs. The remaining fund balance of $5,233,089 is unassigned. 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 $2,189,511 as authorized by Municipal Code P.L. 145 Act of April 30, 1943, and comprised of surplus money transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets.

Nonmajor Funds
The nonmajor funds have restricted funds of $130,815 consisting of $122,213 of spendable receipts that are received from donors for specific purposes and $8,602 of sinking fund deposits that will be used to pay future interest expenses.

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2021.

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2022.

- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the District's fiscal year ending June 30, 2022.

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

- 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

POTTSTOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amount		Actual	Variances
	Original	Final	(GAAP) Basis	Final to Actual
REVENUES				
Local sources	$ 34,415,784	$ 34,415,784	$ 35,074,208	$ 658,424
State sources	27,190,503	27,190,503	28,234,987	1,044,484
Federal sources	2,239,202	2,239,202	3,522,299	1,283,097
TOTAL REVENUES	63,845,489	63,845,489	66,831,494	2,986,005
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	20,778,881	20,778,881	20,029,213	749,668
Special programs - elementary/secondary	12,580,191	12,580,191	13,850,055	(1,269,864)
Vocational education	1,266,177	1,266,177	1,261,218	4,959
Other instructional programs - elementary/secondary	2,269,242	2,269,242	2,241,468	27,774
Pre-kindergarten	2,838,014	2,838,014	2,574,824	263,190
TOTAL INSTRUCTIONAL SERVICES	39,732,505	39,732,505	39,956,778	(224,273)
SUPPORT SERVICES:				
Students	2,180,409	2,180,409	2,241,576	(61,167)
Instructional staff	2,312,355	2,312,355	2,699,503	(387,148)
Administration	3,846,551	3,846,551	3,548,904	297,647
Pupil health	1,155,228	1,155,228	996,546	158,682
Business services	950,498	950,498	844,511	105,987
Operation and maintenance of plant	5,152,677	5,152,677	5,166,294	(13,617)
Student transportation	2,744,429	2,744,429	2,010,210	734,219
Central	338,409	338,409	581,951	(243,542)
Other	20,000	20,000	17,164	2,836
TOTAL SUPPORT SERVICES	18,700,556	18,700,556	18,106,659	593,897
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student activities	758,531	758,531	829,635	(71,104)
Community services	20,150	20,150	70,733	(50,583)
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	778,681	778,681	900,368	(121,687)
CAPITAL OUTLAY	680,371	680,371	770,093	(89,722)
DEBT SERVICE	4,410,699	4,410,699	3,655,334	755,365
REFUND OF PRIOR YEAR REVENUES	-	-	55,732	(55,732)
TOTAL EXPENDITURES	64,302,812	64,302,812	63,444,964	857,848
EXCESS OF REVENUES OVER EXPENDITURES	(457,323)	(457,323)	3,386,530	3,843,853
OTHER FINANCING SOURCES				
Transfers in	-	-	82,450	82,450
TOTAL OTHER FINANCING SOURCES	-	-	82,450	82,450
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ (457,323)	$ (457,323)	3,468,980	$ 3,926,303
FUND BALANCE - BEGINNING OF YEAR			10,810,047	
FUND BALANCE - END OF YEAR			$ 14,279,027	

See note to required supplementary information.

BUDGETARY DATA

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

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

Excess of Expenditures Over Appropriations in Individual Funds
For the year ended June 30, 2020, no individual governmental fund required to have a legally adopted budget had excess expenditures over appropriations.

Budgetary Compliance
The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2020. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

POTTSTOWN SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.1769%	0.1758%	0.1868%	0.1834%	0.1829%	0.1848%	0.1846%
District's proportionate share of the collective net pension liability	$ 82,758,000	$ 84,393,000	$ 92,258,000	$ 90,887,000	$ 79,224,000	$ 73,145,000	$ 75,568,000
District's covered payroll	$ 24,402,959	$ 23,671,230	$ 24,876,388	$ 23,752,630	$ 23,528,030	$ 23,582,695	$ 23,691,286
District's proportionate share of the net pension liability as a percentage of its covered payroll	339.13%	356.52%	370.87%	382.64%	336.72%	310.16%	318.97%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

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

NOTES TO SCHEDULE

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

Changes of Assumptions
None.

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

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 8,152,482	$ 7,858,587	$ 7,903,347	$ 7,477,384	$ 5,834,012	$ 4,696,902	$ 3,732,485	$ 2,686,177	$ 1,899,240	$ 1,261,707
Contributions in relation to the contractually required contribution	8,152,482	7,858,587	7,903,347	7,477,384	5,834,012	4,696,902	3,732,485	2,686,177	1,899,240	1,261,707
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 24,480,701	$ 24,402,959	$ 23,671,230	$ 24,876,388	$ 23,752,630	$ 23,528,030	$ 23,582,695	$ 23,691,286		
Contributions as a percentage of covered payroll	33.30%	32.20%	33.39%	30.06%	24.56%	19.96%	15.83%	11.34%		

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.

POTTSTOWN SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2020	2019	2018	2017
District's proportion of the collective PSERS OPEB liability	0.1769%	0.1758%	0.1868%	0.1834%
District's proportionate share of the collective net PSERS OPEB liability	$ 3,762,000	$ 3,665,000	$ 3,806,000	$ 3,950,000
District's covered payroll	$ 24,402,959	$ 23,671,230	$ 24,876,388	$ 23,752,630
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.56%	5.56%	5.73%	5.47%

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

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

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

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

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

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 205,278	$ 200,081	$ 206,672	$ 212,542	$ 196,023	$ 206,205	$ 216,951	$ 200,879	$ 154,313	$ 161,498
Contributions in relation to the contractually required contribution	205,278	200,081	206,672	212,542	196,023	206,205	216,951	200,879	154,313	161,498
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 24,480,701	$ 24,402,959	$ 23,671,230	$ 24,876,388	$ 23,752,630	$ 23,528,030	$ 23,582,695	$ 23,691,286		
Contributions as a percentage of covered payroll	0.84%	0.82%	0.87%	0.85%	0.83%	0.88%	0.92%	0.85%		

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.

POTTSTOWN SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2020	2019	2018
Total OPEB liability:			
Service cost	$ 482,506	$ 517,275	$ 490,888
Interest	239,636	251,262	181,978
Changes in benefit terms	-	1,357	-
Differences between expected and actual experience	-	(189,916)	-
Changes in assumptions	(209,905)	(166,632)	338,753
Benefit payments	(382,202)	(343,847)	(289,318)
Net change in total OPEB liability	130,035	69,499	722,301
Total OPEB liability, beginning	7,766,005	7,696,506	6,974,205
Total OPEB liability, ending	$ 7,896,040	$ 7,766,005	$ 7,696,506
Covered Employee Payroll	$ 23,812,469	$ 23,812,469	$ 23,349,759
Total OPEB Liability as a Percentage of Covered Employee Payroll	33.16%	32.61%	32.96%

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

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

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

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

SUPPLEMENTARY INFORMATION

POTTSTOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 122,669	$ 8,602	$ 131,271
TOTAL ASSETS	$ 122,669	$ 8,602	$ 131,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 456	$ -	$ 456
TOTAL LIABILITIES	456	-	456
FUND BALANCES			
Restricted fund balance	122,213	8,602	130,815
TOTAL FUND BALANCES	122,213	8,602	130,815
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 122,669	$ 8,602	$ 131,271

POTTSTOWN SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Local sources	$ 40,313	$ 2	$ 40,315
TOTAL REVENUES	40,313	2	40,315
EXPENDITURES			
Current:			
Support services	-	358,219	358,219
Operation of noninstructional services	31,010	-	31,010
Debt service interest	-	36,377	36,377
TOTAL EXPENDITURES	31,010	394,596	425,606
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	-	19,445,000	19,445,000
Bond premium	-	931,992	931,992
Current refunding debt service principal	-	(19,892,105)	(19,892,105)
Bond discount	-	(96,783)	(96,783)
TOTAL OTHER FINANCING SOURCES (USES)	-	388,104	388,104
NET CHANGE IN FUND BALANCES	9,303	(6,490)	2,813
FUND BALANCES - BEGINNING OF YEAR	112,910	15,092	128,002
FUND BALANCES - END OF YEAR	$ 122,213	$ 8,602	$ 130,815

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Unearned) Revenue at July 1, 2019	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2020
U.S. DEPARTMENT OF DEFENSE									
Basic, Applied, and Advanced Research in Science and Engineering	D	12.630-297929	N/A	07/01/19-06/30/20	$ 70,103	$ 66,798	$ -	$ 70,103	$ 3,305
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	I	84.010	013-200348	07/25/19-09/30/20	1,320,212	968,224	-	1,307,067	338,843
Title I Grants to Local Educational Agencies	I	84.010	013-190348	09/04/18-09/30/19	1,343,794	488,838	283,438	205,400	-
Subtotal - CFDA 84.010						1,457,062	283,438	1,512,467	338,843
Career and Technical Training	I	84.048	380-200063	07/01/19-06/30/20	71,279	59,399	-	71,279	11,880
Supporting Effective Instruction State Grants	I	84.367	020-200348	07/25/19-09/30/20	179,752	167,608	-	179,752	12,144
Supporting Effective Instruction State Grants	I	84.367	020-190348	09/04/18-09/30/19	179,455	(4,612)	(4,612)	-	-
Subtotal - CFDA 84.367						162,996	(4,612)	179,752	12,144
Title IV Student Support and Academic Enrichment	I	84.424	144-200348	07/25/19-09/30/20	100,575	26,820	-	100,575	73,755
Title IV Student Support and Academic Enrichment	I	84.424	144-190348	09/04/18-09/30/19	85,530	59,213	-	59,213	-
Title IV Student Support and Academic Enrichment	I	84.424	144-180348	08/17/17-09/30/18	27,071	17,403	-	17,403	-
Subtotal - CFDA 84.424						103,436	-	177,191	73,755
21st Century Community Learning Centers	I	84.287	FC4100068087	10/01/19-09/30/20	400,000	132,837	-	299,904	167,067
21st Century Community Learning Centers	I	84.287	FC4100083529	07/01/19-06/30/20	400,000	163,948	-	393,776	229,828
21st Century Community Learning Centers	I	84.287	4100068087	10/01/18-09/30/19	475,000	283,747	131,928	151,819	-
21st Century Community Learning Centers	I	84.287	4100060872	10/01/13-09/30/14	500,000	-	(17,440)	-	(17,440)
Subtotal - CFDA 84.287						580,532	114,488	845,499	379,455
Passed through the Montgomery County Intermediate Unit:									
English Language Acquisition State Grants	I	84.365	N/A	07/02/19-09/30/20	3,942	-	-	3,720	3,720
English Language Acquisition State Grants	I	84.365	N/A	07/07/18-09/30/19	3,691	2,609	-	2,609	-
Subtotal - CFDA 84.365						2,609	-	6,329	3,720
Special Education Cluster:									
Special Education - Preschool Grants	I	84.173	N/A	07/01/19-09/30/20	3,969	-	-	3,686	3,686
Special Education - Grants to States	I	84.027	N/A	07/01/19-09/30/20	730,309	730,309	-	730,309	-
Passed through the Lancaster-Lebanon Intermediate Unit:									
Special Education - Grants to States	I	84.027	N/A	07/01/19-09/30/20	6,958	6,958	-	6,958	-
Subtotal - CFDA 84.027						737,267	-	737,267	-
Subtotal Special Education Cluster						737,267	-	740,953	3,686
TOTAL U.S. DEPARTMENT OF EDUCATION						3,103,301	393,314	3,533,470	823,483
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Medicaid Cluster									
Passed through PA Department of Human Services:									
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	N/A	8,645	-	21,548	12,903
Medical Assistance Program	I	93.778	N/A	07/01/18-06/30/19	N/A	10,851	10,851	-	-
Subtotal - CFDA 93.778						19,496	10,851	21,548	12,903

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Unearned) Revenue at July 1, 2019	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2020
U.S. DEPARTMENT OF TREASURY									
Passed through Pennsylvania Commission on Crime and Delinquency:									
COVID-19 Coronavirus Relief Fund	I	21.019	2020-CS-01-33601	03/01/20-10/30/20	244,460	-	-	244,460	244,460
U.S. DEPARTMENT OF AGRICULTURE									
Child Nutrition Cluster									
Passed through Pennsylvania Department of Education:									
School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	15,085	15,085	-	-
School Breakfast Program		10.553	N/A	07/01/19-06/30/20	N/A	316,155	-	316,155	-
COVID-19 School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	225,828	-	238,940	13,112
Subtotal - CFDA 10.553						557,068	15,085	555,095	13,112
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	43,311	43,311	-	-
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	1,043,672	-	1,043,672	-
COVID-19 National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	399,459	-	420,319	20,860
Passed through the Pennsylvania Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	134,542	(537)	134,149	(930)
Subtotal - CFDA 10.555						1,620,984	42,774	1,598,140	19,930
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						2,178,052	57,859	2,153,235	33,042
TOTAL FEDERAL AWARDS						$ 5,367,647	$ 462,024	$ 6,022,816	$ 1,117,193

Source Code: D - Direct Funding and I - Indirect Funding

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

POTTSTOWN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

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

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2020 was $400,000.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had $930 of food commodity inventory.

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

To the Board of School Directors
Pottstown School District
Pottstown, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pottstown School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pottstown School District's basic financial statements and have issued our report thereon dated January 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pottstown School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pottstown School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pottstown 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 Pottstown School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
January 12, 2021

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

To the Board of School Directors
Pottstown School District
Pottstown, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Pottstown 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 Pottstown School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Pottstown School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pottstown 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 Pottstown 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
January 12, 2021

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	21st Century Community Learning Centers
21.019	COVID-19 Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?	____	yes	X	no

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs.

POTTSTOWN
SCHOOL DISTRICT
Building a Better Tomorrow
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STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section II - Financial Statement Findings

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

Section III - Federal Awards Findings and Questioned Costs

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

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Board
Pottstown School District
Pottstown, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania and Pottstown School District solely to assist you with respect to the financial schedules and exhibits required by the Commonwealth of Pennsylvania for the year ended June 30, 2020. The Pottstown School District's management is responsible for the financial schedules and exhibits required by the Commonwealth of Pennsylvania. The sufficiency of the procedures is solely the responsibility of the Commonwealth of Pennsylvania. Consequently, we made no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

a. We have verified by comparison that the amounts and classifications that the supplemental financial schedules listed below, which summarize amounts reported to the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2020, have been accurately compiled and reflect the audited books and records of Pottstown School District. We have also verified by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the Commonwealth of Pennsylvania pertaining to this period.

Program Name	Referenced Schedule/Exhibit
PA Pre-K Counts	Supplemental Budgetary Comparison Schedule for Fiscal Year Ended June 30, 2020

b. We have inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports submitted to the Commonwealth of Pennsylvania for the period in question.

c. The processes detailed in paragraphs (a) and (b) above disclosed no adjustments and/or findings.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial schedules and exhibits required by the Commonwealth of Pennsylvania. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Commonwealth of Pennsylvania and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Herbein + Company, Inc.

Reading, Pennsylvania
January 12, 2021

POTTSTOWN SCHOOL DISTRICT

PA PRE-K COUNTS SUPPLEMENTAL BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2020

	Original Budgeted Expenditures	Final Approved Revised Budget	Actual Expenditures	Differences
PERSONNEL				
Salaries/wages:				
Child health and development	$ 851,244	$ 757,842	$ 757,842	$ -
Program design	28,840	31,577	31,577	-
Total salaries	880,084	789,419	789,419	-
Benefits (net of retirement and Social Security reimbursement)	541,885	312,955	312,956	(1)
TOTAL PERSONNEL	1,421,969	1,102,374	1,102,375	(1)
OPERATIONS				
Supplies for program purposes	36,216	60,377	60,377	-
Supplies for management purposes	4,000	4,415	4,414	1
Nutritional Services	-	12,473	12,473	-
Amount related to parent services	5,000	1,011	1,011	-
Space related costs	72,000	13,307	13,307	-
Building maintenance/repairs	67,322	51,986	51,986	-
Utilities and telephone	35,800	469	469	-
Publications/advertising/printing	2,000	36	36	-
Substitutes	64,898	40,683	40,683	-
Non-student travel	2,000	862	862	-
Contracted services	84,795	45,433	45,433	-
Training and staff development	4,500	3,536	3,536	-
Student transportation	4,500	1,243	1,243	-
Construction Costs	-	203,195	203,195	-
TOTAL OPERATIONS	383,031	439,026	439,025	1
PROGRAMS				
Funds passed through to partners	592,000	926,100	926,100	-
TOTAL PROGRAMS	592,000	926,100	926,100	-
TOTAL BUDGET	$ 2,397,000	$ 2,467,500	$ 2,467,500	$ -

	Original Budgeted Revenues	Revised Budgeted Revenues	Actual Revenues	Differences
REVENUES				
Pennsylvania Pre-K Counts	$ 2,467,500	$ 2,467,500	$ 2,467,500	$ -