



**BOYERTOWN AREA SCHOOL DISTRICT
BOYERTOWN, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2019

BOYERTOWN AREA SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 10, 2019

Board of School Directors
Boyertown Area School District
Boyertown, 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 Boyertown Area School District ("the District"), Boyertown, Pennsylvania, as of and for the year ended June 30, 2019, 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.

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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 Boyertown Area School District, Boyertown, Pennsylvania, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the District's net OPEB liability - single employer plan on pages 59 through 63, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boyertown Area School District's basic financial statements. The combining nonmajor fund financial statements on pages 64 and 65 are presented for purposes of additional analysis and are not a

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required part of the basic financial statements. The schedule of expenditures of federal awards on pages 70 through 71 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor 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 December 10, 2019 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 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 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.


BARBACANE, THORNTON & COMPANY LLP

**BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Unaudited)**

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

Highlights

The District's net deficit increased by \$5,562,914 (or 4.69 percent) for the year ended June 30, 2019, as compared to the net deficit increase of \$5,332,590 for the year ended June 30, 2018. During the year ended June 30, 2019, the governmental net deficit increased by \$5,666,259 (or 4.90 percent), and the business-type net deficit decreased by \$103,345 (or 3.36 percent). The increase in net deficit was due mostly to the recognition of changes in future pension and other postemployment benefits ("OPEB") obligations, which were mandated to be reported by the Governmental Accounting Standards Board ("GASB"), plus realized depreciation, and net of the favorable budget results. The favorable budget variances can be attributed to unexpectedly strong increases in local revenue from Earned Income Tax ("EIT") revenues and savings realized through staff vacancies. Overall, the District projects a stable financial future based on conservative budgeting.

Future increases in the State-mandated retirement contributions for each employee are a major concern for all school districts in Pennsylvania. The contribution rate is an uncontrollable expenditure for public schools. The mandated retirement contribution was 30.30 percent for 2016-2017 and increased to 32.57 percent for 2017-2018 and to 33.43 percent in 2018-2019. Continued significant increases are projected to 34.29 percent in 2019-2020, 34.77 percent in 2020-2021, 35.19 percent in 2021-2022, 35.84 percent in 2022-2023, and 36.30 percent in 2023-2024.

Healthcare continues to be a major expenditure with 2018-2019 costs managed through the implementation of a self-insured funding model established on July 1, 2010, the examination of benefits, and an increased contribution from employees toward their benefits. The District was a member of the Berks County Schools Health Insurance Consortium until June 30, 2010. During the first three years, the District implemented the self-insured funding model and managed costs to increase the fund reserve by more than \$5 million, totaling approximately \$8 million to provide the means to control future healthcare costs. The healthcare claims experienced during the 2018-2019 fiscal year increased due to higher utilization and several large claims, but the reserve amount remained above the \$8 million balance. The calculated premium increases over the last five years have averaged less than five percent.

Capital projects were a major expenditure during the 2018-2019 fiscal year, with the construction of several capital investments in the District's buildings.

Using this Annual Report

The focus of basic financial statements prior to GASB-34 implementation in the 2001-2002 fiscal year was on summarized fund type information. The current (and clearly preferable) focus is on both the

BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)

District as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government), and enhance the District's accountability.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

While the Food Service column on the proprietary fund financial statements is the same as the business-type column at the government-wide financial statements, the governmental major funds total column

BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)

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

Effect of GASB Statements No. 68, 71, and 75

During the 2014-2015 fiscal year, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68." During the 2017-2018 fiscal year, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The purpose of these statements was to improve the transparency, consistency, and comparability of the pension and OPEB information reported by state and local governments (e.g. school districts).

The adoption of these statements has had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension and OPEB plans, plan administrators (at the direction of elected officials), and participants are required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension and OPEB plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the benefits of the employees of any employer that provides benefits through the plan. The new standards have shifted reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District reports its proportionate share of the net pension and OPEB liabilities on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension and OPEB liabilities are the difference between the market value of pension/OPEB fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)

While the net pension liability and net OPEB liability are significant to the District's financial statements, they are liabilities the District has limited control over. Over the last eight years, the PSERS employer contribution rate has risen significantly, from 5.56 percent in 2009-2010 to 33.43 percent in 2018-2019. These increases are expected to improve the plan's funding level, which will reduce the net liabilities in future years. This rate is anticipated to continue to increase to a level of over 36 percent in future years.

The implementation of GASB Statement No. 68 in particular has had an impact on entity-wide statements. The District is required to report its proportionate share of the net pension liability. This portion of the unfunded pension liability resulted in a total net deficit of (\$124,226,201). The majority of the unrestricted net deficit of (\$158,619,970) is a direct result of GASB Statement No. 68. However, a portion of the District's total net position, \$34,393,769, reflects its investment in capital assets, net of related debt. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Statements

Statement of Net Position

The following table reflects the condensed Statement of Net Position.

Condensed Statement of Net Position
Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Current and other assets	\$ 48,768,717	\$ 49,125,271	\$ 542,644	\$ 384,443	\$ 49,311,361	\$ 49,509,714
Capital assets	127,570,885	126,496,245	46,636	10,277	127,617,521	126,506,522
Total Assets	176,339,602	175,621,516	589,280	394,720	176,928,882	176,016,236
Deferred Outflows of Resources:						
Deferred pension	25,910,184	33,964,527	514,114	673,979	26,424,298	34,638,506
Deferred OPEB	4,664,381	5,207,243	52,150	56,079	4,716,531	5,263,322
Deferred amounts on bond refunding	622,520	713,362	-	-	622,520	713,362
Total Deferred Outflows of Resources	31,197,085	39,885,132	566,264	730,058	31,763,349	40,615,190
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$207,536,687</u>	<u>\$215,506,648</u>	<u>\$ 1,155,544</u>	<u>\$ 1,124,778</u>	<u>\$208,692,231</u>	<u>\$216,631,426</u>

BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)

Condensed Statement of Net Position
Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Totals	
(cont'd)	2019	2018	2019	2018	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)						
Liabilities:						
Current liabilities	\$ 16,168,751	\$ 17,809,063	\$ 85,020	\$ 84,538	\$ 16,253,771	\$ 17,893,601
Long-term liabilities	308,498,305	310,969,796	3,963,160	4,072,345	312,461,465	315,042,141
Total Liabilities	<u>324,667,056</u>	<u>328,778,859</u>	<u>4,048,180</u>	<u>4,156,883</u>	<u>328,715,236</u>	<u>332,935,742</u>
Deferred Inflows of Resources:						
Deferred pension	3,625,830	1,753,202	71,966	34,798	3,697,796	1,788,000
Deferred OPEB	497,558	562,085	7,842	8,886	505,400	570,971
Total Deferred Inflows of Resources	<u>4,123,388</u>	<u>2,315,287</u>	<u>79,808</u>	<u>43,684</u>	<u>4,203,196</u>	<u>2,358,971</u>
Net Position (Deficit):						
Net investment in capital assets	34,347,133	44,145,295	46,636	10,277	34,393,769	44,155,572
Unrestricted (deficit)	(155,600,890)	(159,732,793)	(3,019,080)	(3,086,066)	(158,619,970)	(162,818,859)
Total Net Deficit	<u>(121,253,757)</u>	<u>(115,587,498)</u>	<u>(2,972,444)</u>	<u>(3,075,789)</u>	<u>(124,226,201)</u>	<u>(118,663,287)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT	<u>\$207,536,687</u>	<u>\$215,506,648</u>	<u>\$ 1,155,544</u>	<u>\$ 1,124,778</u>	<u>\$208,692,231</u>	<u>\$216,631,426</u>

A significant amount of the District's net position is invested in capital assets (buildings, land, and equipment), but the majority of the capital assets were financed with debt. See the Statement of Net Position for more detailed information.

Statement of Activities

The following table reflects the revenues and expenses for the current and prior years.

Statement of Changes in Net Position
Fiscal Years Ended June 30, 2019 and 2018

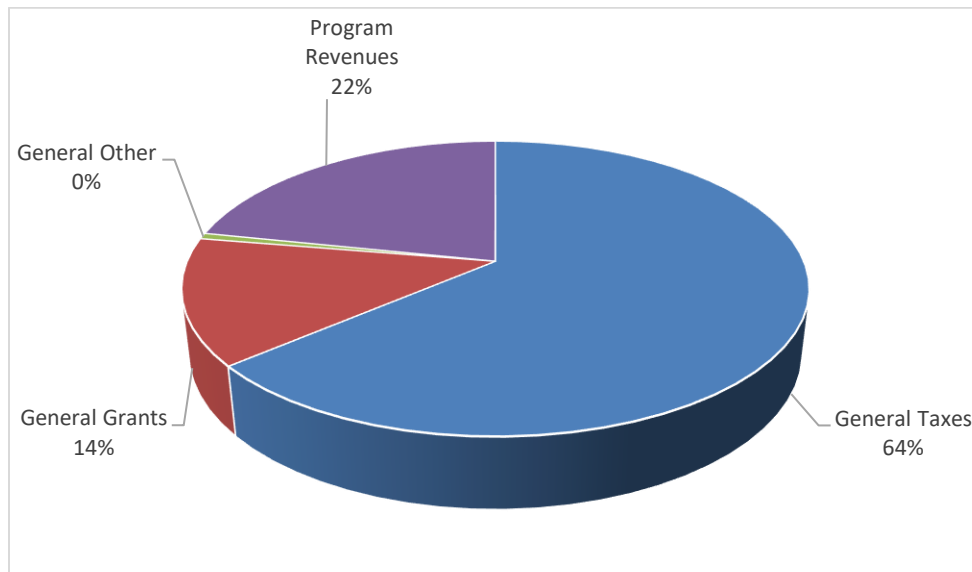
	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for services	\$ 614,947	\$ 664,377	\$ 1,737,847	\$ 1,654,859	\$ 2,352,794	\$ 2,319,236
Operating grants	22,636,396	21,376,144	1,321,854	1,273,644	23,958,250	22,649,788
General Revenues:						
Taxes	77,185,499	73,091,180	-	-	77,185,499	73,091,180
Grants and entitlements	16,760,806	16,647,143	-	-	16,760,806	16,647,143
Investment earnings	679,553	558,099	519	503	680,072	558,602
Miscellaneous	97,751	56,229	-	-	97,751	56,229
TOTAL REVENUES	<u>117,974,952</u>	<u>112,393,172</u>	<u>3,060,220</u>	<u>2,929,006</u>	<u>121,035,172</u>	<u>115,322,178</u>

**BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)**

**Statement of Changes in Net Position
Fiscal Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Totals	
(cont'd)	2019	2018	2019	2018	2019	2018
EXPENSES						
Program Expenses:						
Instruction	82,414,900	77,440,959	-	-	82,414,900	77,440,959
Support services:						
Instructional staff services	10,545,738	10,360,046	-	-	10,545,738	10,360,046
Administrative services	11,262,832	10,967,492	-	-	11,262,832	10,967,492
Operation of maintenance of plant services	7,727,326	7,710,206	-	-	7,727,326	7,710,206
Pupil transportation	6,585,963	6,339,800	-	-	6,585,963	6,339,800
Non-instructional services:						
Food service	-	-	2,903,968	2,987,118	2,903,968	2,987,118
Student activities	1,551,626	1,527,927	-	-	1,551,626	1,527,927
Community services	36,609	37,654	-	-	36,609	37,654
Interest and fiscal charges	3,569,124	3,283,566	-	-	3,569,124	3,283,566
TOTAL EXPENSES	123,694,118	117,667,650	2,903,968	2,987,118	126,598,086	120,654,768
Change in net deficit before transfers	(5,719,166)	(5,274,478)	156,252	(58,112)	(5,562,914)	(5,332,590)
Transfers	52,907	102,594	(52,907)	(102,594)	-	-
Change in net deficit	(5,666,259)	(5,171,884)	103,345	(160,706)	(5,562,914)	(5,332,590)
Net deficit, beginning of year	(115,587,498)	(110,415,614)	(3,075,789)	(2,915,083)	(118,663,287)	(113,330,697)
Net deficit, end of year	<u>\$ (121,253,757)</u>	<u>\$ (115,587,498)</u>	<u>\$(2,972,444)</u>	<u>\$(3,075,789)</u>	<u>\$ (124,226,201)</u>	<u>\$ (118,663,287)</u>

The District's reliance upon tax revenues is demonstrated by the graph below.



**BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)**

The District Funds

Governmental Funds

As of the year end, the Governmental Funds reported a combined fund balance of \$23,661,558, which is an increase from the prior year of \$1,941,782 (or 8.94 percent). Of the \$23,661,558, the General Fund balance is \$12,179,918, which is an increase of \$926,406 from the prior year. The Capital Projects Fund reports a total fund balance of \$4,684,429, a decrease of \$360,070 from the prior year. The Middle School West Fund reports a total fund balance of \$21,204, an increase of \$479,570 from the prior year. The General Fund unassigned balance represents 6.94 percent of the total general fund expenditures.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with the amounts actually incurred and recognized is provided on page 19.

The General Fund actual amount of revenue received was more than the final revenue budget by \$494,226 (0.42 percent), predominantly due to higher than expected collections of earned income taxes and real estate transfer taxes in Montgomery County, and an increase in state funding.

The General Fund actual amount of expenditures was less than the final expenditure budget by \$1,465,465 (1.25 percent). The major contributor was savings realized through staff vacancies during the year. Additional savings were realized in special education programs, and in building operations due to energy savings initiatives implemented in previous years along with significantly reduced supplies being purchased. As a result of the positive variances in both revenues and expenditures compared to the budget, as well as the availability of fund balance, the District was able to make \$1,690,000 in budgeted transfers and an additional \$250,000 transfer to other funds.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District's investment in capital assets for its governmental and business-type activities amounts to \$127,617,521, which represents a net increase (additions less retirements and depreciation) of \$1,110,999, or 0.85 percent, from the end of last year. This is mainly due to ongoing construction and renovations exceeding depreciation expense. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

**BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)**

**Boyertown Area School District's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land	\$ 609,177	\$ 609,177	\$ -	\$ -
Construction-in-progress	1,777,656	17,459,995	-	-
Site improvements	8,042,627	8,251,777	-	-
Buildings and improvements	112,994,217	98,148,688	-	-
Furniture and equipment	4,147,208	2,026,608	46,636	10,277
Total	<u>\$127,570,885</u>	<u>\$126,496,245</u>	<u>\$ 46,636</u>	<u>\$ 10,277</u>

Debt Outstanding

As of year-end, the District had \$92,735,000 in debt (bonds and notes) outstanding compared to \$89,635,000 at the end of the prior year. This represents an increase of \$3,100,000, or 3.46 percent. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 7).

Factors Expected to Have an Effect on Future Operations

The moderate growth the District has experienced has stabilized despite the world-wide economic condition. The growth patterns in student population continue to shift toward the Montgomery County portion of the District, causing an overpopulation of students in the buildings that serve the eastern portion of the District. A redistricting plan was implemented for the 2009-2010 school year. Further growth will cause additional student redistricting and transportation adjustments.

The renovation and modernization of the Middle School West Center commenced in the spring of 2017. Substantial completion of the renovations occurred in August 2018. Starting in the 2017-2018 school year, both middle schools began servicing grades six through eight. This will help relieve overcrowding at the elementary schools, which will then service grades Kindergarten through five. At the November 26, 2019, the Board of School Directors voted to close Pine Forge Elementary School due to low enrollment and financial considerations. There is currently capacity in other elementary school buildings in the Berks County portion of the District for the Pine Forge Students.

Lower unemployment rates and positive results in Earned Income Tax collections indicate improved economic conditions which will impact revenue forecasts. The current economic conditions also impact interest rates and possible new housing starts. Continued economic decline may cause the District to scale down educational program offerings or seek additional resources.

**BOYERTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
JUNE 30, 2019
(Unaudited)**

The Commonwealth of Pennsylvania has addressed real estate tax reform through the passage of 2006 Special Session, Act 1 as amended in 2011. Each public school in the Commonwealth must abide by the Act 1 provisions. Act 1 limits each school district's tax increase to a State-wide index and will continue to have an impact on the District, as tax increases could be limited without the approval of a voter referendum.

Contacting the District Financial Management

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Education Center, Boyertown Area School District, 911 Montgomery Avenue, Boyertown, PA 19512.

BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS:			
Cash and cash equivalents	\$ 34,854,214	\$ 470,793	\$ 35,325,007
Investments	4,181,913	-	4,181,913
Taxes receivable, net	2,988,160	-	2,988,160
Due from other governments	6,274,795	11,767	6,286,562
Internal balance	819	(819)	-
Other receivables	380,361	1,369	381,730
Inventories	21,496	59,534	81,030
Prepaid expenses	66,959	-	66,959
Construction-in-progress	1,777,656	-	1,777,656
Land	609,177	-	609,177
Site improvements	12,907,796	-	12,907,796
Buildings and improvements	177,413,810	-	177,413,810
Furniture and equipment	11,211,805	1,393,187	12,604,992
Accumulated depreciation	(76,349,359)	(1,346,551)	(77,695,910)
TOTAL ASSETS	176,339,602	589,280	176,928,882
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amount on bond refunding	622,520	-	622,520
Deferred amounts related to OPEB	4,664,381	52,150	4,716,531
Deferred amounts related to pension	25,910,184	514,114	26,424,298
TOTAL DEFERRED OUTFLOWS OF RESOURCES	31,197,085	566,264	31,763,349
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 207,536,687	\$ 1,155,544	\$ 208,692,231
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT			
LIABILITIES:			
Accounts payable	\$ 2,969,974	\$ 1,184	\$ 2,971,158
Accrued salaries and benefits	3,986,243	-	3,986,243
Payroll deductions and withholdings	8,003,825	-	8,003,825
Other liabilities	147,036	-	147,036
Accrued interest	1,061,673	-	1,061,673
Unearned revenue	-	83,836	83,836
Long-term liabilities			
Portion due or payable within one year:			
Bonds and notes payable in future years, net	2,851,003	-	2,851,003
Capital lease payable	265,636	-	265,636
Portion due or payable after one year:			
Bonds and notes payable in future years, net	96,311,433	-	96,311,433
Capital lease payable	550,687	-	550,687
Accumulated compensated absences	240,862	-	240,862
Net OPEB liability	24,138,560	308,284	24,446,844
Net pension liability	184,140,124	3,654,876	187,795,000
TOTAL LIABILITIES	324,667,056	4,048,180	328,715,236
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	497,558	7,842	505,400
Deferred amounts related to pension	3,625,830	71,966	3,697,796
TOTAL DEFERRED INFLOWS OF RESOURCES	4,123,388	79,808	4,203,196
NET DEFICIT			
Net investment in capital assets	34,347,133	46,636	34,393,769
Unrestricted (deficit)	(155,600,890)	(3,019,080)	(158,619,970)
TOTAL NET DEFICIT	(121,253,757)	(2,972,444)	(124,226,201)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT	\$ 207,536,687	\$ 1,155,544	\$ 208,692,231

The accompanying notes are an integral part of these financial statements.

**BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Revenues			Net (Expense) Revenue and Changes in Deficit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 82,414,900	\$ 10,936	\$ 15,366,121	\$ -	\$ (67,037,843)	\$ (67,037,843)
Instructional student support	10,545,738	-	1,176,331	-	(9,369,407)	(9,369,407)
Administrative and financial support services	11,262,832	-	1,106,644	-	(10,156,188)	(10,156,188)
Operation and maintenance of plant services	7,727,326	189,223	777,977	-	(6,760,126)	(6,760,126)
Pupil transportation	6,585,963	-	3,350,883	-	(3,235,080)	(3,235,080)
Student activities	1,551,626	214,809	154,171	-	(1,182,646)	(1,182,646)
Community services	36,609	199,979	-	-	163,370	163,370
Interest on long-term debt	3,569,124	-	704,269	-	(2,864,855)	(2,864,855)
TOTAL GOVERNMENTAL ACTIVITIES	<u>123,694,118</u>	<u>614,947</u>	<u>22,636,396</u>	<u>-</u>	<u>(100,442,775)</u>	<u>(100,442,775)</u>
BUSINESS-TYPE ACTIVITIES:						
Food service	2,903,968	1,737,847	1,321,854	-	-	155,733
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,903,968</u>	<u>1,737,847</u>	<u>1,321,854</u>	<u>-</u>	<u>-</u>	<u>155,733</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 126,598,086</u>	<u>\$ 2,352,794</u>	<u>\$ 23,958,250</u>	<u>\$ -</u>	<u>(100,442,775)</u>	<u>(100,287,042)</u>
GENERAL REVENUES						
Property taxes, levied for general purposes					67,937,492	67,937,492
Taxes levied for specific purposes					9,248,007	9,248,007
Grants and entitlements not restricted to specific programs					16,760,806	16,760,806
Investment earnings					679,553	680,072
Miscellaneous					97,751	97,751
TOTAL GENERAL REVENUES					<u>94,723,609</u>	<u>94,724,128</u>
CHANGE IN NET DEFICIT BEFORE TRANSFERS					(5,719,166)	(5,562,914)
Transfers in					52,907	52,907
Transfers out					-	(52,907)
CHANGE IN NET DEFICIT AFTER TRANSFERS					<u>(5,666,259)</u>	<u>(5,562,914)</u>
NET DEFICIT, BEGINNING OF YEAR					(115,587,498)	(118,663,287)
NET DEFICIT, END OF YEAR					<u>\$ (121,253,757)</u>	<u>\$ (124,226,201)</u>

The accompanying notes are an integral part of these financial statements.

**BOYERTOWN AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Capital Projects Fund	Middle School West Fund	ATAMM Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 16,499,636	\$ 2,042,520	\$ 2,819,328	\$ 4,818,146	\$ 856,926	\$ 27,036,556
Investments	1,651,173	2,191,071	-	-	99,578	3,941,822
Taxes receivable, net	2,988,160	-	-	-	-	2,988,160
Due from other funds	10,375	455,818	-	1,025,437	1,840,857	3,332,487
Due from other governments	6,274,795	-	-	-	-	6,274,795
Other receivables	110,719	-	-	-	-	110,719
Inventory	21,496	-	-	-	-	21,496
Prepaid expenditures	45,959	-	-	-	21,000	66,959
TOTAL ASSETS	\$ 27,602,313	\$ 4,689,409	\$ 2,819,328	\$ 5,843,583	\$ 2,818,361	\$ 43,772,994
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 1,152,600	\$ 4,980	\$ 192,687	\$ 812,519	\$ 342,341	\$ 2,505,127
Due to other funds	345,065	-	2,605,437	205,818	525,259	3,681,579
Accrued salaries and benefits	3,986,243	-	-	-	-	3,986,243
Payroll and benefit withholdings	8,003,825	-	-	-	-	8,003,825
Other liabilities	152,190	-	-	-	-	152,190
TOTAL LIABILITIES	13,639,923	4,980	2,798,124	1,018,337	867,600	18,328,964
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenues - delinquent taxes	1,782,472	-	-	-	-	1,782,472
TOTAL DEFERRED INFLOWS OF RESOURCES	1,782,472	-	-	-	-	1,782,472
FUND BALANCES:						
Nonspendable	67,455	-	-	-	21,000	88,455
Restricted	-	-	21,204	4,825,246	2,342,297	7,188,747
Committed	4,100,000	-	-	-	-	4,100,000
Assigned	-	4,684,429	-	-	-	4,684,429
Unassigned (deficit)	8,012,463	-	-	-	(412,536)	7,599,927
TOTAL FUND BALANCES	12,179,918	4,684,429	21,204	4,825,246	1,950,761	23,661,558
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 27,602,313	\$ 4,689,409	\$ 2,819,328	\$ 5,843,583	\$ 2,818,361	\$ 43,772,994

The accompanying notes are an integral part of these financial statements.

**BOYERTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2019**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 23,661,558
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Construction-in-progress	\$ 1,777,656	
Land	609,177	
Site improvements	12,907,796	
Buildings and improvements	177,413,810	
Furniture and equipment	11,211,805	
Accumulated depreciation	<u>(76,349,359)</u>	127,570,885

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable in future years, net	(99,162,436)	
Capital lease payable	(816,323)	
Accumulated compensated absences	(240,862)	
Accrued interest	(1,061,673)	
Net OPEB liability	(24,138,560)	
Net pension liability	<u>(184,140,124)</u>	(309,559,978)

An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

8,217,609

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

1,782,472

Deferred inflows and outflows of resources related to the District's pension and OPEB plans do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred amounts related to OPEB	4,664,381	
Deferred amounts related to pension	25,910,184	
Deferred inflows of resources:		
Deferred amounts related to OPEB	(497,558)	
Deferred amounts related to pension	<u>(3,625,830)</u>	<u>26,451,177</u>

NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u><u>\$(121,253,757)</u></u>
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The accompanying notes are an integral part of these financial statements.

BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Middle School West Fund	ATAMM Fund	Other Governmental Funds	Total
REVENUES						
Local sources	\$ 79,050,820	\$ 47,131	\$ 84,813	\$ 11,953	\$ 4,054	\$ 79,198,771
State sources	36,644,457	-	-	-	-	36,644,457
Federal sources	2,555,246	-	-	-	-	2,555,246
TOTAL REVENUES	<u>118,250,523</u>	<u>47,131</u>	<u>84,813</u>	<u>11,953</u>	<u>4,054</u>	<u>118,398,474</u>
EXPENDITURES						
Current:						
Instruction	74,729,235	-	-	-	629,170	75,358,405
Support services	33,042,399	259	-	-	1,871	33,044,529
Operation of noninstructional services	1,587,405	-	-	-	-	1,587,405
Capital outlays	-	707,254	2,045,293	1,712,144	1,616,144	6,080,835
Debt service	6,116,734	-	-	-	227,962	6,344,696
TOTAL EXPENDITURES	<u>115,475,773</u>	<u>707,513</u>	<u>2,045,293</u>	<u>1,712,144</u>	<u>2,475,147</u>	<u>122,415,870</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,774,750</u>	<u>(660,382)</u>	<u>(1,960,480)</u>	<u>(1,700,191)</u>	<u>(2,471,093)</u>	<u>(4,017,396)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	1,000	-	-	-	-	1,000
Refund of prior year expenditures	(17,745)	-	-	-	-	(17,745)
Refund of prior year revenues	-	-	-	-	14,923	14,923
Proceeds from issuance of long-term debt	-	-	-	5,500,000	-	5,500,000
Proceeds from other extended term financing	-	-	-	-	408,093	408,093
Transfers in	108,401	350,000	3,465,487	1,025,437	1,590,000	6,539,325
Transfers out	(1,940,000)	(49,688)	(1,025,437)	-	(3,471,293)	(6,486,418)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,848,344)</u>	<u>300,312</u>	<u>2,440,050</u>	<u>6,525,437</u>	<u>(1,458,277)</u>	<u>5,959,178</u>
NET CHANGE IN FUND BALANCES	926,406	(360,070)	479,570	4,825,246	(3,929,370)	1,941,782
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>11,253,512</u>	<u>5,044,499</u>	<u>(458,366)</u>	<u>-</u>	<u>5,880,131</u>	<u>21,719,776</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,179,918</u>	<u>\$ 4,684,429</u>	<u>\$ 21,204</u>	<u>\$ 4,825,246</u>	<u>\$ 1,950,761</u>	<u>\$ 23,661,558</u>

The accompanying notes are an integral part of these financial statements.

**BOYERTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,941,782

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the effect of these activities:

Capital outlays	\$ 6,080,835	
Depreciation expense	<u>(5,006,195)</u>	1,074,640

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are recorded as deferred inflows of resources. Unavailable revenues increased by this amount this year. (423,525)

The issuance of long-term debt (e.g. bonds, leases) 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. Governmental funds report bond premiums as other financing sources. However, these amounts are reported netted against the outstanding bond liability on the statement of net position and amortized over the life of the debt. None of these transactions, however, have any effect on net position. This amount is the net effect of these differences. (3,008,273)

An internal service fund was created at the end of the year to account for future self-insured healthcare costs. The net revenue is reported with governmental activities. (110,251)

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (57,207)

Other postemployment benefits include postemployment healthcare benefits and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. The annual cost represents the employer's contribution to the plan which includes the implicit rate subsidy. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). (727,171)

In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals exceed pension contributions during the year. (4,232,007)

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. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (124,248)

CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (5,666,260)

The accompanying notes are an integral part of these financial statements.

**BOYERTOWN AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources:				
Real estate taxes	\$ 68,217,462	\$ 68,217,462	\$ 68,361,018	\$ 143,556
Other taxes	8,573,549	8,573,549	9,248,007	674,458
Earnings on investments	350,000	350,000	531,971	181,971
Rentals	180,000	180,000	199,979	19,979
Tuition	34,000	34,000	10,936	(23,064)
Revenue from student activities	140,000	140,000	214,809	74,809
Other revenues	182,000	182,000	484,100	302,100
State sources	37,518,767	37,518,767	36,644,457	(874,310)
Federal sources	2,560,519	2,560,519	2,555,246	(5,273)
TOTAL REVENUES	117,756,297	117,756,297	118,250,523	494,226
EXPENDITURES				
Instruction:				
Regular programs	50,603,457	50,550,420	51,085,432	(535,012)
Special programs	21,225,878	21,206,980	20,759,469	447,511
Vocational programs	2,196,206	2,196,206	2,318,731	(122,525)
Other instructional programs	223,708	273,708	339,170	(65,462)
Nonpublic school programs	-	-	897	(897)
Other adult education programs	-	-	198	(198)
Pre-kindergarten	-	-	225,338	(225,338)
Total Instruction	74,249,249	74,227,314	74,729,235	(501,921)
Support services:				
Pupil services	3,844,210	3,807,235	3,492,655	314,580
Instructional support	5,253,539	5,255,583	4,842,929	412,654
Administrative support	6,239,600	6,310,480	6,095,116	215,364
Pupil health	1,285,192	1,285,542	1,193,771	91,771
Business support	1,358,227	1,390,127	1,250,635	139,492
Operation and maintenance of plant services	7,778,310	7,778,310	7,188,879	589,431
Student transportation	6,066,736	6,089,186	6,019,327	69,859
Central support	2,947,815	3,046,154	2,858,728	187,426
Other support services	100,000	100,000	100,359	(359)
Total Support Services	34,873,629	35,062,617	33,042,399	2,020,218
Operation of noninstructional services:				
Student activities	1,493,658	1,496,358	1,550,796	(54,438)
Community services	33,715	33,715	36,609	(2,894)
Total Operation of Noninstructional Services	1,527,373	1,530,073	1,587,405	(57,332)
Debt service	6,121,234	6,121,234	6,116,734	4,500
TOTAL EXPENDITURES	116,771,485	116,941,238	115,475,773	1,465,465
EXCESS OF REVENUES OVER EXPENDITURES	984,812	815,059	2,774,750	1,959,691
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	1,000	(4,000)
Refund of prior year revenues	-	-	(17,745)	(17,745)
Budgetary reserve	(250,000)	(80,247)	-	80,247
Transfers in	102,500	102,500	108,401	5,901
Transfers out	(1,690,000)	(1,690,000)	(1,940,000)	(250,000)
TOTAL OTHER FINANCING USES	(1,832,500)	(1,662,747)	(1,848,344)	(185,597)
NET CHANGE IN FUND BALANCE	(847,688)	(847,688)	926,406	1,774,094
FUND BALANCE, BEGINNING OF YEAR	11,253,512	11,253,512	11,253,512	-
FUND BALANCE, END OF YEAR	\$ 10,405,824	\$ 10,405,824	\$ 12,179,918	\$ 1,774,094

The accompanying notes are an integral part of these financial statements.

BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Food Service Fund	Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 470,793	\$ 7,817,658
Investments	-	240,091
Due from other governments	11,767	-
Other receivables	1,369	269,642
Due from other funds	-	355,065
Inventories	59,534	-
Total Current Assets	<u>543,463</u>	<u>8,682,456</u>
FURNITURE AND EQUIPMENT:		
Net furniture and equipment	<u>46,636</u>	<u>-</u>
TOTAL ASSETS	<u>590,099</u>	<u>8,682,456</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts related to OPEB	52,150	-
Deferred amounts related to pension	<u>514,114</u>	<u>-</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>566,264</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 1,156,363</u></u>	<u><u>\$ 8,682,456</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,184	\$ -
Claims payable	-	464,847
Due to other funds	819	-
Unearned revenue	<u>83,836</u>	<u>-</u>
Total Current Liabilities	<u>85,839</u>	<u>464,847</u>
NONCURRENT LIABILITIES:		
Net OPEB liability	308,284	-
Net pension liability	<u>3,654,876</u>	<u>-</u>
Total Noncurrent Liabilities	<u>3,963,160</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,048,999</u>	<u>464,847</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts related to OPEB	7,842	-
Deferred amounts related to pension	<u>71,966</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>79,808</u>	<u>-</u>
NET POSITION (DEFICIT):		
Investment in capital assets	46,636	-
Unrestricted (Deficit)	<u>(3,019,080)</u>	<u>8,217,609</u>
TOTAL NET POSITION (DEFICIT)	<u>(2,972,444)</u>	<u>8,217,609</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u><u>\$ 1,156,363</u></u>	<u><u>\$ 8,682,456</u></u>

The accompanying notes are an integral part of these financial statements.

BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Internal Service Fund
OPERATING REVENUES		
Food service revenues	\$ 1,737,847	\$ -
Charges for health insurance	-	10,611,543
TOTAL OPERATING REVENUES	<u>1,737,847</u>	<u>10,611,543</u>
OPERATING EXPENSES		
Salaries	948,360	-
Employee benefits	524,024	-
Other purchased services	18,960	69,987
Self-insurance claims	-	10,682,063
Equipment repairs	20,070	-
Supplies	1,376,361	-
Travel and conferences	3,148	-
Miscellaneous	112	-
Depreciation	12,933	-
TOTAL OPERATING EXPENSES	<u>2,903,968</u>	<u>10,752,050</u>
OPERATING LOSS	<u>(1,166,121)</u>	<u>(140,507)</u>
NONOPERATING REVENUES		
Earnings on investments	519	30,256
State sources	256,743	-
Federal sources	1,065,111	-
TOTAL NONOPERATING REVENUES	<u>1,322,373</u>	<u>30,256</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	156,252	(110,251)
Transfer from other funds	49,688	-
Transfer to other funds	(102,595)	-
CHANGE IN NET POSITION AFTER TRANSFERS	<u>103,345</u>	<u>(110,251)</u>
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(3,075,789)</u>	<u>8,327,860</u>
NET POSITION (DEFICIT), END OF YEAR	<u><u>\$ (2,972,444)</u></u>	<u><u>\$ 8,217,609</u></u>

The accompanying notes are an integral part of these financial statements.

BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Food Service Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,737,317	\$ 16,679,497
Payments to suppliers	(1,386,396)	(69,987)
Payments to employees	(1,381,651)	-
Cash payments for health insurance costs	-	(10,720,498)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(1,030,730)</u>	<u>5,889,012</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	257,562	-
Federal sources	886,956	-
Interfund transfers	(52,907)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,091,611</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(49,750)	-
Proceeds from sales of investments	-	1,533,542
Earnings on investments	519	30,256
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(49,231)</u>	<u>1,563,798</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,650	7,452,810
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>459,143</u>	<u>364,848</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 470,793</u></u>	<u><u>\$ 7,817,658</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (1,166,121)	\$ (140,507)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:		
Depreciation	12,933	-
Loss on disposal of equipment	396	-
Donated commodities	186,922	-
(Increase) Decrease in:		
Accounts receivable	(661)	(269,642)
Inventories	(646)	-
Due from other funds	-	6,337,596
Deferred outflows of resources	163,794	-
Increase (Decrease) in:		
Accounts payable	351	-
Claims payable	-	(38,435)
Due to other funds	(154,830)	-
Unearned revenues	131	-
Net OPEB liability	3,850	-
Net pension liability	(113,035)	-
Deferred inflows of resources	36,186	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (1,030,730)</u></u>	<u><u>\$ 5,889,012</u></u>
SUPPLEMENTAL DISCLOSURE		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
USDA donated commodities	<u><u>\$ 186,922</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019

	Private- Purpose Trust	Agency Fund
ASSETS		
Cash	\$ 74,768	\$ 634,982
Investments	<u>26,334</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 101,102</u></u>	<u><u>\$ 634,982</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Other current liabilities	<u>\$ 436</u>	<u>\$ 634,982</u>
TOTAL LIABILITIES	<u>436</u>	<u>634,982</u>
NET POSITION:		
Reserved for trust	<u>100,666</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 101,102</u></u>	<u><u>\$ 634,982</u></u>

The accompanying notes are an integral part of these financial statements.

**BOYERTOWN AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Private- Purpose Trust
ADDITIONS	
Local contributions	\$ 18,874
Gain on investments	<u>3,597</u>
TOTAL ADDITIONS	<u>22,471</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>23,931</u>
TOTAL DEDUCTIONS	<u>23,931</u>
CHANGE IN NET POSITION	(1,460)
NET POSITION, BEGINNING OF YEAR	<u>102,126</u>
NET POSITION, END OF YEAR	<u><u>\$ 100,666</u></u>

The accompanying notes are an integral part of these financial statements.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Boyertown Area School District ("the District") is located in Boyertown, Pennsylvania. The District's tax base includes portions of Berks and Montgomery Counties and consists of the following Townships and Boroughs: Bally, Bechtelsville, Boyertown, Colebrookdale, Washington, Upper Frederick, Douglass-Berks, Douglass-Montgomery, Earl, and New Hanover.

The District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation of public education, as established by the constitution of the Commonwealth and by the school law code of the same (Article II; Act 150, July 8, 1968).

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, governs the District.

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 eligible students between the ages of five and twenty-one years residing in such district who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools, or to pay any school indebtedness which the District is required to pay, the Board of School Directors is vested with all necessary authority and power to annually levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949, as amended.

The most significant of the District's accounting policies are described below:

Reporting Entity

The Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") establishes the criteria for determining the activities, organization, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets.

The **Middle School West Fund** was established to provide funds for certain capital projects, which consist of the acquisition, improvements, additions, extraordinary maintenance and repair of public school buildings and facilities of the District, and paying bond issue and financial costs, specifically for renovations and additions to the Middle School West.

The **ADA, Title IX, and Athletic Maintenance Modernization ("ATAMM") Fund** was established to provide funds for certain capital projects, which consist of the acquisition, improvements, and additions of athletic facilities of the District, and paying note issuance and financial costs, specifically for renovations and additions to the football stadium.

Additionally, the District reports the following nonmajor governmental funds:

The **Debt Service Fund** is used to account for funds segregated to pay for future debt service payments.

The **Senior High Fund** was established to provide funds for certain capital projects, which consist of the acquisition, improvements, additions, extraordinary maintenance and repair of public school buildings and facilities of the District, and paying bond issue and financial costs, specifically for renovations and additions to the Senior High.

The **Technology Reserve Fund** was established to provide funds for acquiring computer equipment and network infrastructure to keep the District up to date with technology.

The **Gilbertsville and Washington Fund** was established to provide funds for certain capital projects, which consist of the acquisition, improvements, additions, extraordinary maintenance and repair of public school buildings and facilities of the District, and paying bond issue and financial costs, specifically for renovations and additions to the Gilbertsville and Washington Elementary Schools.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

The proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District reports the following major proprietary funds:

The **Enterprise Fund** is used to account for operations where the intent of the governmental entity is to recover the costs of providing goods and services to the District's student population and staff primarily through user charges. The **Food Service Fund** is the only enterprise fund operated by the District. This fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases, and costs and expenses for the Food Service Program.

The **Internal Service Fund** accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is used to account for the operation of the District's self-

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

insurance program for employee medical, prescription drug, and dental claims on a cost reimbursement basis. (Since this fund largely supports governmental activities, its activity is included in governmental activities in the government-wide statements.)

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of students of the District, and escheat funds. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are recorded at amortized cost, which approximates fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable in the following periods:

July 1 - August 31	- Discount period, 2% of gross levy
September 1 - October 31	- Face Period

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

November 1 to collection - Penalty Period, 10% of gross levy
January 1 - Lien Date

As of January 1, 2004, any unpaid real estate taxes are collected by the District for approximately 60 days. After 60 days, delinquent real estate taxes are sent to an attorney for collection. Any outstanding taxes before January 1, 2004 are collected through each county's tax claim bureau.

Real estate taxes for the District are collected from the townships and boroughs which comprise the District. The tax on real estate in those municipalities for public school purposes for fiscal 2018-2019 was 26.37 mills (\$26.37 per \$1,000 of assessed valuation) for Berks County and 26.37 (\$26.37 per \$1,000 of assessed valuation) for Montgomery County, as levied by the Board of School Directors. Assessed valuations of property are determined by the Berks County Board of Assessment and Montgomery County Board of Assessment.

Allowance for Doubtful Accounts

The District has estimated the allowance for doubtful accounts for delinquent real estate taxes to be \$49,894 as of June 30, 2019.

The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both entity-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Site improvements	15 - 30 years
Buildings and building improvements	20 - 40 years
Furniture and equipment	5 - 20 years

Inventories

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated commodities received from the federal government. The donated commodities are valued at the USDA's approximate cost. Food and supplies are carried at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At June 30, 2019, the general fund had inventory consisting of technology equipment of \$21,496.

The inventories on hand in the Food Service Fund at June 30, 2019, consist of the following:

Supplies	\$ 26,536
Purchased food	<u>32,998</u>
	<u>\$ 59,534</u>

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Bond premiums and bond discounts are reported as netting items against the outstanding bond liability and amortized over the term of the related debt. All amounts are amortized using the straight-line method. Bond issuance costs are expensed at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has four types of items that qualify for reporting in this category. Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting, are reflected as deferred inflows of resources on the general fund balance sheet. Certain changes to the net pension liability, including pension contributions made subsequent to the measurement date and, therefore, not reflected in the net pension liability under full accrual basis reporting, are required to be amortized over a period of years. Additionally, certain changes to the net OPEB liability, including OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net OPEB liability under full accrual basis reporting, are required to be amortized over a period of years. The unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The proprietary funds report the same three components of net position as do the entity-wide financial statements. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board, Finance Committee, or Chief Financial Officer has provided otherwise in its commitment or assignment actions.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee or Chief Financial Officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

In the general fund, the District strives to maintain an unassigned fund balance of not less than two percent and not more than eight percent of budgeted expenditures.

Use of Estimates in the Preparation of Financial Statements

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

Budgetary Information

An annual 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, although project-length financial plans are adopted for all capital projects funds.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 10 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to the date final action on adoption is taken by the Board.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

NOTE 3 DEPOSITS AND INVESTMENTS

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. At June 30, 2019, the carrying amount of the District's deposits was \$36,034,757, and the bank balance was \$31,664,309. Of the bank balance, \$929,208 was covered by federal depository insurance, and \$27,716,584 was covered through collateral held by financial institutions in accordance with Act 72. The District's remaining cash deposits of \$3,018,517 are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, they are rated by a nationally recognized statistical rating organization (AAA as of June 30, 2019), and they are subject to an independent annual audit.

Investments

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds. During the year ended June 30, 2018, permitted investments were expanded to include highly-rated commercial paper, bankers' acceptances, and negotiable certificates of deposit.

As of June 30, 2019, the District had the following investments:

Certificates of deposit due within one year - collateral held by pledging bank's agent in the District's name	\$ 4,208,247
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Interest Rate Risk

The District's investment policy follows the Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Credit Risk

The District's investment policy follows the Pennsylvania School Code in limiting its investment choices to those with certain credit ratings.

Concentration Risk

The District places no limit on the amount it may invest in any one issuer.

NOTE 4 UNEARNED REVENUES

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned. Unearned revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 609,177	\$ -	\$ -	\$ 609,177
Construction-in-progress	17,459,995	3,710,843	19,393,182	1,777,656
Total Capital Assets Not Being Depreciated	18,069,172	3,710,843	19,393,182	2,386,833
Capital assets being depreciated:				
Site improvements	12,274,398	633,398	-	12,907,796
Buildings and improvements	158,782,057	18,631,753	-	177,413,810
Furniture and equipment	8,853,321	2,498,023	139,539	11,211,805
Total Capital Assets Being Depreciated	179,909,776	21,763,174	139,539	201,533,411
Less accumulated depreciation for:				
Site improvements	4,022,621	842,548	-	4,865,169
Buildings and improvements	60,633,369	3,786,225	-	64,419,594
Furniture and equipment	6,826,713	377,422	139,539	7,064,596
Total accumulated depreciation	71,482,703	5,006,195	139,539	76,349,359
Total Capital Assets Being Depreciated, Net	108,427,073	16,756,979	-	125,184,052
GOVERNMENTAL ACTIVITIES ASSETS, NET	\$126,496,245	\$20,467,822	\$19,393,182	\$127,570,885

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(cont'd)	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Capital assets being depreciated:				
Machinery and equipment	\$ 1,467,392	\$ 49,688	\$ 123,893	\$ 1,393,187
Less accumulated depreciation	(1,457,115)	(12,933)	(123,497)	(1,346,551)
BUSINESS-TYPE ACTIVITIES, NET	<u>\$ 10,277</u>	<u>\$ 36,755</u>	<u>\$ 396</u>	<u>\$ 46,636</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction	\$ 3,470,377
Instructional student support	505,243
Administrative and financial support services	478,550
Operation and maintenance of plant services	268,972
Pupil transportation	<u>283,053</u>

Total Governmental Activities \$ 5,006,195

Business-type Activities

Food service	<u>\$ 12,933</u>
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NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Due To	Amount	Due From	Amount
Washington and Gilbertsville Renovation Fund (nonmajor fund)	\$ 262,609	Technology Reserve Fund (nonmajor fund)	\$ 525,259
Senior High Fund (nonmajor fund)	1,578,248	Food Service Fund	819
ATAMM Fund	1,025,437	Student Activities Fund	5,154
Capital Projects Fund	455,818	ATAMM Fund	205,818
Internal Service Fund	355,065	General Fund	345,065
General Fund	<u>10,375</u>	Middle School West Fund	<u>2,605,437</u>
TOTALS	<u>\$ 3,687,552</u>	TOTALS	<u>\$ 3,687,552</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFER (cont'd)

Interfund Transfers:

Transfer Out:		Transfers In:	
Senior High Fund (nonmajor fund)	\$ 3,465,486	Technology Reserve Fund	
General Fund	1,940,000	(nonmajor fund)	\$ 1,590,000
Middle School West Fund	1,025,437	General Fund	108,401
Debt Service Fund		Middle School West Fund	3,465,487
(nonmajor fund)	5,807	ATAMM Fund	1,025,437
Capital Projects Fund	49,688	Capital Projects Fund	350,000
Food Service Fund	102,595	Food Service Fund	49,688
TOTALS	<u>\$ 6,589,013</u>	TOTALS	<u>\$ 6,589,013</u>

Transfers represent funds set aside for the anticipation of future capital and funding needs, to reimburse debt payments made by other funds, and to reimburse shared administrative costs.

NOTE 7 GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Bonds and notes payable, net	\$ 96,438,439	\$ 5,500,000	\$ (2,776,003)	\$ 99,162,436	\$2,851,003
Capital lease payable	622,889	408,093	(214,659)	816,323	265,636
Accumulated compensated absences	183,655	57,207	-	240,862	-
Net OPEB liability	23,889,724	248,836	-	24,138,560	-
Net pension liability	189,835,089	-	(5,694,965)	184,140,124	-
TOTALS	<u>\$310,969,796</u>	<u>\$ 6,214,136</u>	<u>\$ (8,685,627)</u>	<u>\$308,498,305</u>	<u>\$3,116,639</u>

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Net OPEB liability	\$ 304,434	\$ 3,850	\$ -	\$ 308,284	\$ -
Net pension liability	3,767,911	-	(113,035)	3,654,876	-
TOTALS	<u>\$ 4,072,345</u>	<u>\$ 3,850</u>	<u>\$ (113,035)</u>	<u>\$ 3,963,160</u>	<u>\$ -</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM LIABILITIES (cont'd)

Long-term liabilities of governmental activities are anticipated to be liquidated by the general fund and, for certain bonds, debt service fund. Long-term liabilities of business-type activities are anticipated to be liquidated by the food service fund.

Bonds and notes payable, net consists of the following:

Bonds and notes payable, at face	\$ 92,735,000
Bond premiums	<u>6,427,436</u>
Bonds and notes payable, net	<u>\$ 99,162,436</u>

Payments of long-term debt are expected to be funded by the general fund.

Bonds and notes payable at June 30, 2019 consisted of:

General Obligation Bond Series of 2012, maturing through October 2025, bearing interest ranging from 0.5% to 2.625%, payable semi-annually on April 1 and October 1.	\$ 6,080,000
General Obligation Bond Series of 2013, maturing through October 2025, bearing interest ranging from 2.0% to 4.0%, payable semi-annually on April 1 and October 1.	3,795,000
General Obligation Bond Series of 2014, maturing through October 2043, bearing interest ranging from 0.25% to 5.0%, payable semi-annually on April 1 and October 1.	29,980,000
General Obligation Bond Series of 2015, maturing through October 2038, bearing interest from 0.5% to 5.0%, payable semi-annually on April 1 and October 1.	29,520,000
General Obligation Bond Series of 2018, maturing through October 2028, bearing interest from 2.0% to 4.0%, payable annually on November 1.	17,860,000
General Obligation Note Series of 2019, maturing through October 2039, bearing interest at 3.48%, payable semi-annually on April 1 and October 1.	<u>5,500,000</u>
TOTAL	<u>\$ 92,735,000</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM LIABILITIES (cont'd)

Presented below is a summary of debt service to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2020	\$ 2,475,000	\$ 3,907,839	\$ 6,382,839
2021	2,923,000	3,833,310	6,756,310
2022	3,010,000	3,750,413	6,760,413
2023	3,108,000	3,660,652	6,768,652
2024	3,201,000	3,565,843	6,766,843
2025 - 2029	17,932,000	16,062,162	33,994,162
2030 - 2034	20,956,000	12,134,066	33,090,066
2035 - 2039	26,590,000	6,506,479	33,096,479
2040 - 2044	12,540,000	1,630,000	14,170,000
	<u>\$ 92,735,000</u>	<u>\$ 55,050,764</u>	<u>\$147,785,764</u>

NOTE 8 CAPITAL LEASES - LESSEE

The District has entered into lease agreements as a lessee for financing the acquisition of equipment used throughout the District. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

ASSET	
Equipment	\$ 1,259,671
Less: Accumulated depreciation	<u>(295,241)</u>
Total	<u>\$ 964,430</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Year Ending June 30,</u>	
2020	\$ 289,106
2021	289,106
2022	289,106
Amount representing interest	<u>(50,995)</u>
Total	<u>\$ 816,323</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 OPERATING LEASES

The District currently is obligated under operating lease agreements for various office equipment. The following is a summary of the minimum rental costs for the remaining terms:

<u>Year Ending June 30,</u>	
2020	\$ 1,027,251
2021	600,029
2022	<u>196,466</u>
Total	<u>\$ 1,823,746</u>

Rental expense for the year ended June 30, 2019 was \$1,028,939.

NOTE 10 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), 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. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. The PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

The 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 became 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 and age and

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the 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 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 two percent or two and one-half percent, depending upon the 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 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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (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 percent (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 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2019, the rate of the employer contribution was 33.43 percent of covered payroll, which was comprised of 32.60 percent for pension contributions and 0.83 percent for healthcare contributions. The District's contribution to PSERS for pension contributions for the year ended June 30, 2019 was \$17,442,155.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported a liability of \$187,795,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District's proportion was 0.3912 percent, which was a decrease of 0.0080 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$21,758,166. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 920,000	\$ -
Changes in proportions	2,805,000	743,000
Changes in assumptions	3,499,000	-
Difference between employer contributions and proportionate share of total contributions	246,143	47,796
Difference between expected and actual experience	1,512,000	2,907,000
Contributions subsequent to the date of measurement	17,442,155	-
	<u>\$26,424,298</u>	<u>\$ 3,697,796</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Deferred outflows of resources were reported as \$17,442,155 resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ending June 30,

2020	\$ 5,821,665
2021	2,491,753
2022	(2,312,071)
2023	<u>(717,000)</u>
	<u>\$ 5,284,347</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.25 percent, including inflation of 2.75 percent
- Salary increases – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent and real wage growth and merit and seniority increases of 2.25 percent
- 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 long-term expected rate of return on pension plan investments was determined using the 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 pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100.0%</u>	

The above was 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, 2018.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. 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 which are 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.

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 percent, 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 percent) or one percentage point higher (8.25 percent) than the current rate.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 32,786,000	\$ 187,795,000	\$ 149,754,000

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.state.pa.us.

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's 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. In accordance with the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2019, the District paid \$734,945 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2018. The total OPEB liability as of June 30, 2018 was determined by rolling forward the system's total OPEB liability as of the July 1, 2017 actuarial valuation to the June 30, 2018 measurement date using the actuarial assumptions noted below.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount used to measure the total OPEB liability was 3.00 percent for the measurement date of June 30, 2018 based on S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2018.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5 percent cost of living adjustment.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. The Plan utilizes Actuary's Turnover Table T-3 for establishing withdrawal rates. Sample rates are as follows:

<u>Age</u>	<u>Rate</u>
25	17.2%
40	13.1%
55	4.4%

Mortality Rates

Pre-retirement mortality rates are established based on the RP-2014 Employee (Male and Female) tables as published by the Society of Actuaries. Post-retirement mortality rates are established based on the RP-2014 Healthy Annuitant (Male and Female) tables as published by the Society of Actuaries. Mortality improvement utilizes Scale MP-2016 (Male and Female) as published by the Society of Actuaries.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender. All employees are assumed to retire when eligible for unreduced benefits under the PSERS system. For employees hired before July 1, 2011, this is the earlier of 1) age 60 with 30

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

years of service, 2) at least 35 years of service, or 3) age 62 with at least one year of service. For employees hired after July 1, 2011, this is the earlier of 1) age 65 with at least three years of service or 2) age plus at least 35 years of service equals 92.

Percent of Eligible Retirees Electing Coverage in Plan

Eighty percent of all employees and ten percent of all spouses are assumed to elect coverage.

Percent Married at Retirement

Eighty percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Spouses are assumed to be the same age as the retiree.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Retiree</u>	<u>Spouse</u>
0 - 49	\$ 8,579	\$ 14,713
50 - 54	\$ 12,011	\$ 20,598
55 - 59	\$ 14,585	\$ 25,012
60 - 64	\$ 16,730	\$ 28,690

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend

The healthcare cost trend was six percent in 2018, decreasing to five percent in 2019 and subsequent years.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of July 2016.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 2.00%	Current Rate Discount Rate 3.00%	1% Increase 4.00%
Total OPEB liability	\$ 17,739,606	\$ 16,290,844	\$ 14,986,637
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 17,739,606</u>	<u>\$ 16,290,844</u>	<u>\$ 14,986,637</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate Discount Rate	1% Increase
Total OPEB liability	\$ 14,592,870	\$ 16,290,844	\$ 18,290,327
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 14,592,870</u>	<u>\$ 16,290,844</u>	<u>\$ 18,290,327</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB liability - beginning	<u>\$16,207,158</u>
Service cost	723,319
Interest	480,266
Benefit payments	<u>(1,119,899)</u>
Net change	<u>83,686</u>
Total OPEB liability - ending	<u>\$16,290,844</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$1,515,611 for the year ended June 30, 2019. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 3,344,507	\$ -
Differences in actual and expected experience		148,961
Benefits paid subsequent to the date of measurement	<u>734,945</u>	<u>-</u>
	<u>\$ 4,079,452</u>	<u>\$ 148,961</u>

An amount of \$734,945 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ending June 30,

2020	\$ 342,502
2021	342,502
2022	342,502
2023	342,502
2024	342,502
Thereafter	<u>1,483,036</u>
	<u>\$ 3,195,546</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

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. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

- Have 24½ 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 HOP or employer-sponsored health insurance program.

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), 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 comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

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

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83 percent 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 \$444,079 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2019, the District reported a liability of \$8,156,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District's proportion was 0.3912 percent, which was a decrease of 0.0080 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$568,327. At June 30, 2019, 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
Net difference between projected and actual investment earnings	\$ 14,000	\$ -
Change in the proportionate share of the net pension liability	-	41,000
Change in assumptions	129,000	309,000
Difference between expected and actual experience	50,000	-
Difference between employer contributions and proportionate share of total contributions	-	6,439
Contributions subsequent to the date of measurement	444,079	-
	<u>\$ 637,079</u>	<u>\$ 356,439</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

An amount of \$444,079 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (37,311)
2021	(37,310)
2022	(37,310)
2023	(39,430)
2024	(41,294)
Thereafter	<u>29,216</u>
	<u>\$ (163,439)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the system's total OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal - level percent of pay
- Investment return – 2.98 percent – S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent 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 percent
 - Eligible retirees will elect to participate post-age 65 at 70 percent

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 the period ended June 30, 2015.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- 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 percent of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

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 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
U.S. Core Fixed Income	92.8%	1.2%
Non-U.S. Developed Fixed	1.3%	0.4%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98 percent. 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 2.98 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's Net OPEB Liability to Change 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, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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 system's net OPEB liability for June 30, 2018, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System's net OPEB liability	\$ 8,155,000	\$ 8,156,000	\$ 8,158,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98 percent) or one percentage point higher (3.98 percent) than the current rate:

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 1.98%	Current Rate Discount Rate 2.98%	1% Increase 3.98%
Proportionate share of the net OPEB liability	\$ 9,276,000	\$ 8,156,000	\$ 7,227,000

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.

NOTE 13 NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 11)	\$ 16,290,844	\$ 4,079,452	\$ 148,961
PSERS Plan (See Note 12)	8,156,000	637,079	356,439
Total	<u>\$ 24,446,844</u>	<u>\$ 4,716,531</u>	<u>\$ 505,400</u>

NOTE 14 JOINT VENTURES

The District is a participating member of the Berks Career and Technology Center ("the Center"). A joint board consisting of school directors from each member district runs the Center. The board of directors of each member district must approve the Center's annual operating budget. Each member pays a private share of the operating costs of the Center based on the number of students from each district. For the fiscal year ended June 30, 2019, the District's share was \$2,318,731. The Center prepares financial statements, which are available to the public, and may be obtained at the Center's administrative office.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 COMMITMENTS AND CONTINGENCIES (cont'd)

potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims are not yet determinable.

Capital Improvement Commitments

As of June 30, 2019, the District was in the process of several capital projects. Construction commitments completed to date are as follows:

Project	Contract Amount	Completed 6/30/2019	Commitment
ATAMM			
Electrical Contractor	\$ 217,950	\$ 103,499	\$ 114,451
Construction Contractor	1,067,200	590,419	476,781
Environmental Contractor	<u>695,000</u>	<u>604,208</u>	<u>90,792</u>
Total Commitments Related to Construction-in-progress	<u>\$ 1,980,150</u>	<u>\$ 1,298,126</u>	<u>\$ 682,024</u>

In addition, the District has incurred costs in the amount of \$479,530 for other projects that were not under a formal construction commitment as of June 30, 2019.

NOTE 16 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage, to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2018-2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Medical and prescription coverage and dental coverage are provided on a self-insured basis. The District contracted with insurance administrators to administer these self-insurance programs, including the processing, investigating, and payment of claims. The District entered into a stop-

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 RISK MANAGEMENT (cont'd)

loss agreement with an insurance company to provide excess coverage of claim amounts for individual members exceeding \$150,000, up to a lifetime maximum of \$1,000,000. The District reports its self-insurance for dental in the general fund, and medical and prescription in the Internal Service Fund. Amounts are transferred from the general fund to the Internal Service Fund to provide sufficient resources to cover claims incurred, to pay for the purchase of excess insurance, and to pay the insurance service agent's administrative fee.

A liability in the amount of \$464,847 was recorded to cover outstanding claims and estimated incurred but not reported claims payable for medical, prescription, and dental. No other costs associated with the District's insurance program have been considered in determining the insurance claims payable. The District estimated the liability based on historical experience. The following schedule represents the changes in claims liability for the last fiscal year for the District's Self-Insurance Programs:

Self-Insurance	Liability 07/01/2018	Current Year Claims and Charges	Claims Payments	Liability 6/30/2019
Health and Prescription	\$ 503,282	\$ 10,611,543	\$ 10,649,978	\$ 464,847
Dental	\$ -	\$ 601,999	\$ 601,999	\$ -

NOTE 17 FUND BALANCES

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Junior High West Fund	ATAMM Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 21,496	\$ -	\$ -	\$ -	\$ -	\$ 21,496
Prepaid expenditures	45,959	-	-	-	21,000	66,959
Restricted:						
Capital projects	-	-	21,204	4,825,246	2,342,297	7,188,747
Committed:						
PSERS rate increase	4,100,000	-	-	-	-	4,100,000
Assigned:						
Capital projects	-	4,684,429	-	-	-	4,684,429
Unassigned (deficit)	8,012,463	-	-	-	(412,536)	7,599,927
Total Fund Balances	<u>\$12,179,918</u>	<u>\$ 4,684,429</u>	<u>\$ 21,204</u>	<u>\$4,825,246</u>	<u>\$ 1,950,761</u>	<u>\$ 23,661,558</u>

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 19 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2019:

Instruction - regular programs	\$	535,012
Vocational programs	\$	122,525
Other instructional	\$	65,462
Nonpublic school programs	\$	897
Other adult educational programs	\$	198
Pre-Kindergarten	\$	225,338
Other support services	\$	359
Student activities	\$	54,438
Community services	\$	2,894

The excess of expenditures over appropriations was financed with positive budget variances in other functions and revenues in excess of budgeted amounts.

NOTE 20 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$155,600,890 (governmental activities) and \$3,019,080 (business-type activities and the food service fund), respectively, includes the effect of deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

The deficit fund balance in the technology reserve fund of \$412,536 is due to a difference in the timing of purchases and the timing of interfund transfers. The deficit fund balance will be resolved through transfers from other funds subsequent to year end.

NOTE 21 SUBSEQUENT EVENTS

On November 6, 2019, the District issued General Obligation Bond Series of 2019 in the amount of \$8,355,000 to currently refund the District's General Obligation Bonds Series of 2012 and Series of 2013.

The District has evaluated all subsequent events through December 10, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BOYERTOWN AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)

	MEASUREMENT DATE			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.3912%	0.3920%	0.3937%	0.3859%
District's proportion of the net pension liability - dollar value	\$ 187,795,000	\$ 193,603,000	\$ 195,105,000	\$ 167,153,000
District's covered employee payroll	\$ 52,099,156	\$ 51,740,771	\$ 51,176,476	\$ 50,175,078
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	360.46%	374.18%	381.24%	333.14%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.36%
				57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BOYERTOWN AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 17,442,155	\$ 16,536,272	\$ 15,108,305	\$ 12,794,119	\$ 10,285,891
Contributions in relation to the contractually required contribution	17,442,155	16,536,272	15,108,305	12,794,119	10,285,891
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 53,503,543	\$ 52,099,156	\$ 51,740,771	\$ 51,176,476	\$ 50,175,078
Contributions as a percentage of covered-employee payroll	32.60%	31.74%	29.20%	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**BOYERTOWN AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE	
	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.3912%	0.3920%
District's proportion of the net OPEB liability - dollar value	\$ 8,156,000	\$ 7,987,000
District's covered employee payroll	\$ 52,099,156	\$ 51,740,771
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.65%	15.44%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**BOYERTOWN AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 444,079	\$ 432,448
Contributions in relation to the contractually required contribution	<u>444,079</u>	<u>432,448</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 53,503,543	\$ 52,099,156
Contributions as a percentage of covered-employee payroll	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BOYERTOWN AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S NET OPEB LIABILITY
Single Employer Plan

	MEASUREMENT DATE	
	June 30, 2018	June 30, 2017
TOTAL OPEB LIABILITY		
Service cost	\$ 723,319	\$ 681,857
Interest on OPEB liability	480,266	493,087
Effect of assumption changes or inputs	-	(180,893)
Benefit payments	(1,119,899)	(987,305)
NET CHANGE IN TOTAL OPEB LIABILITY	83,686	6,746
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	16,207,158	16,200,412
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 16,290,844</u>	<u>\$ 16,207,158</u>
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ -</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
DISTRICT'S NET OPEB LIABILITY	<u>\$ 16,290,844</u>	<u>\$ 16,207,158</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
Covered employee payroll	\$ 51,393,332	\$ 50,139,836
District's net OPEB liability as a percentage of covered payroll	31.70%	32.32%
Expected average remaining service years of all participants	11.33	11.33

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

BOYERTOWN AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Senior High Fund	Technology Reserve Fund	Gilbertsville/ Washington Fund	Debt Service Fund	Total
ASSETS					
Cash and cash equivalents	\$ 63,200	\$ 113,873	\$ 679,853	\$ -	\$ 856,926
Investments	-	-	99,578	-	99,578
Due from other funds	1,578,248	-	262,609	-	1,840,857
Prepaid expenses	21,000	-	-	-	21,000
TOTAL ASSETS	\$ 1,662,448	\$ 113,873	\$ 1,042,040	\$ -	\$ 2,818,361
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	282,208	1,150	58,983	-	342,341
Due to other funds	-	525,259	-	-	525,259
TOTAL LIABILITIES	282,208	526,409	58,983	-	867,600
FUND BALANCES (DEFICIT):					
Nonspendable	21,000	-	-	-	21,000
Restricted	1,359,240	-	983,057	-	2,342,297
Unassigned (deficit)	-	(412,536)	-	-	(412,536)
TOTAL FUND BALANCES (DEFICIT)	1,380,240	(412,536)	983,057	-	1,950,761
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,662,448	\$ 113,873	\$ 1,042,040	\$ -	\$ 2,818,361

BOYERTOWN AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Senior High Fund	Technology Reserve Fund	Gilbertsville/ Washington Fund	Debt Service Fund	Total
REVENUES					
Local sources	\$ 2,360	\$ 542	\$ 784	\$ 368	\$ 4,054
TOTAL REVENUES	<u>2,360</u>	<u>542</u>	<u>784</u>	<u>368</u>	<u>4,054</u>
EXPENDITURES					
Current:					
Instruction	-	629,170	-	-	629,170
Support services	1,832	39	-	-	1,871
Capital outlays	-	1,571,639	44,505	-	1,616,144
Debt service	-	227,962	-	-	227,962
TOTAL EXPENDITURES	<u>1,832</u>	<u>2,428,810</u>	<u>44,505</u>	<u>-</u>	<u>2,475,147</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>528</u>	<u>(2,428,268)</u>	<u>(43,721)</u>	<u>368</u>	<u>(2,471,093)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year revenues	14,923	-	-	-	14,923
Proceeds from other extended term financing	-	408,093	-	-	408,093
Transfers in	-	1,590,000	-	-	1,590,000
Transfers out	(3,465,486)	-	-	(5,807)	(3,471,293)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,450,563)</u>	<u>1,998,093</u>	<u>-</u>	<u>(5,807)</u>	<u>(1,458,277)</u>
NET CHANGE IN FUND BALANCES	<u>(3,450,035)</u>	<u>(430,175)</u>	<u>(43,721)</u>	<u>(5,439)</u>	<u>(3,929,370)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>4,830,275</u>	<u>17,639</u>	<u>1,026,778</u>	<u>5,439</u>	<u>5,880,131</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 1,380,240</u>	<u>\$ (412,536)</u>	<u>\$ 983,057</u>	<u>\$ -</u>	<u>\$ 1,950,761</u>

SINGLE AUDIT SECTION



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

December 10, 2019

Board of School Directors
Boyertown Area School District
Boyertown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyertown Area School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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.

Board of School Directors
Boyertown Area School District

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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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


BARBACANE, THORNTON & COMPANY LLP



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

December 10, 2019

Board of School Directors
Boyetown Area School District
Boyetown, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the Boyertown Area School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program 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 (CFR) 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of School Directors
Boyertown Area School District

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 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 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.


BARBACANE, THORNTON & COMPANY LLP

BOYERTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE		SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCURED (UNEARNED) REVENUE 07/01/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCURED (UNEARNED) REVENUE 6/30/2019	PASSED THROUGH TO SUB- RECIPIENTS
U.S. Department of Education												
Passed through Pennsylvania Department of Education												
Title I Grants to Local Education Agencies												
Title I Grants to Local Education Agencies		I	84.010	013-190044	08/31/18-09/30/19	\$ 687,905	\$ 493,755	\$ -	\$ 567,524	\$ 567,524	\$ 73,769	-
Total CFDA #84.010		I	84.010	013-180044	08/31/17-09/30/18	653,077	137,630	34,745	102,885	102,885	-	-
						1,340,982	631,385	34,745	670,409	670,409	73,769	-
Title II - Improving Teacher Quality												
Title II - Improving Teacher Quality		I	84.367	020-190044	08/31/18-09/30/19	164,226	117,778	-	163,909	163,909	46,131	-
Total CFDA #84.367		I	84.367	020-180044	08/31/17-09/30/18	165,264	46,768	46,084	684	684	-	-
						329,490	164,546	46,084	164,593	164,593	46,131	-
Title IV Part A - Student Support and Academic Enrichment												
Title IV Part A - Student Support and Academic Enrichment		I	84.424	144-190044	08/31/18-09/30/19	47,175	20,218	-	19,643	19,643	(575)	-
Total CFDA #84.424		I	84.424	144-180044	08/31/17-09/30/18	14,756	10,540	2,196	8,344	8,344	-	-
						61,931	30,758	2,196	27,987	27,987	(575)	-
Passed through the Berks County Intermediate Unit												
IDEA Grant Cluster:												
IDEA		I	84.027	062-19-0024	07/01/18-09/30/19	1,336,634	812,871	-	1,335,934	1,335,934	523,063	-
IDEA		I	84.027	062-18-0024	07/01/17-09/30/18	1,330,014	1,330,014	1,330,014	-	-	-	-
Total CFDA #84.027						2,666,648	2,142,885	1,330,014	1,335,934	1,335,934	523,063	-
IDEA 619 Funds												
IDEA 619 Funds		I	84.173	131-19-0024B	07/01/18-09/30/19	15,341	-	-	15,341	15,341	15,341	-
Total CFDA #84.173		I	84.173	131-18-0024B	07/01/17-09/30/18	17,000	17,000	17,000	-	-	-	-
						32,341	17,000	17,000	15,341	15,341	15,341	-
Total Special Education Cluster						2,698,989	2,159,885	1,347,014	1,351,275	1,351,275	538,404	-
						\$ 4,431,392	\$ 2,986,574	\$ 1,430,039	\$ 2,214,264	\$ 2,214,264	\$ 657,729	-
Total U.S. Department of Education												

Continued on next page.

BOYERTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE		SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 7/01/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2019	PASSED THROUGH TO SUB- RECIPIENTS
(cont'd)												
U.S. Department of Agriculture												
Passed through Pennsylvania Department of Education												
Child Nutrition Cluster:												
National School Lunch		I	10.555	N/A	07/01/18-06/30/19	N/A	\$ 750,594	\$ -	\$ 758,718	\$ -	\$ 8,124	\$ -
National School Lunch		I	10.555	N/A	07/01/17-06/30/18	N/A	15,903	15,903	-	-	-	-
School Breakfast Program		I	10.553	N/A	07/01/18-06/30/19	N/A	116,739	-	119,471	119,471	2,732	-
School Breakfast Program		I	10.553	N/A	07/01/17-06/30/18	N/A	3,720	3,720	-	-	-	-
Total CFDA #10.553							120,459	3,720	119,471	119,471	2,732	-
Passed through Pennsylvania Department of Agriculture												
National School Lunch Program		I	10.555	N/A	07/01/18-06/30/19	N/A	186,922	-	186,922	186,922	-	-
Total CFDA #10.555							953,419	15,903	945,640	945,640	8,124	-
Total Child Nutrition Cluster							1,073,878	19,623	1,065,111	1,065,111	10,856	-
Total U.S. Department of Agriculture							1,073,878	19,623	1,065,111	1,065,111	10,856	-
U.S. Department of Health and Human Services												
Passed through the Pennsylvania Department of Welfare												
Medical Assistance Reimbursement		I	93.778	N/A	07/01/18-06/30/19	40,260	40,260	-	40,260	40,260	-	-
Total CFDA #93.778							40,260	-	40,260	40,260	-	-
Total U.S. Department of Health and Human Services							40,260	-	40,260	40,260	-	-
TOTAL FEDERAL AWARDS							\$ 4,100,712	\$ 1,449,662	\$ 3,319,635	\$ 3,319,635	\$ 668,585	\$ -

Source Codes:

I = Indirect Funding

BOYERTOWN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 includes surplus food consumed by the District during the 2018-2019 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program 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 recognized for the year ended June 30, 2019 was \$300,722.

NOTE E INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SCHEDULE OF
FINDINGS AND RECOMMENDATIONS**

BOYERTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---------------------------------------------------------|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

- | | | |
|-------------------------------------------|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

84.027 and 84.173

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

BOYERTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.