

DANIEL BOONE AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2021

INTRODUCTORY SECTION

DANIEL BOONE AREA SCHOOL DISTRICT

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DANIEL BOONE AREA SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, 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 Daniel Boone Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Daniel Boone Area School 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.

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

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

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, Pennsylvania

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 Daniel Boone Area School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2021, Daniel Boone Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 6 through 6xi, and the required supplementary information presented on pages 60 through 66 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 Daniel Boone Area School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements."

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, Pennsylvania

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Daniel Boone Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Daniel Boone Area School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania
December 2, 2021

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

The discussion and analysis of the financial performance of Daniel Boone Area School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers also should review the financial statements and the notes to the financial statements.

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

FINANCIAL HIGHLIGHTS

District-Wide

- Governmental activities net position deficit increased \$1.94 million to (\$71.58 million) from (\$69.6 million).
- The largest District revenue stream is local property tax. Total 2020-2021 millage was 31.584 mills. (Please note that one mill is equal to one-tenth of a cent or \$.001 of assessed value.)
- Property tax revenues were affected by a .72% increase in the taxable real property assessment value, which increased \$1.10 billion to \$1.11 billion.
- On an entity-wide basis, the District's total net position was a deficit of \$71,258,880. This deficit was due to recording a pension liability being added to the financial statements in 2014-15 FY due to GASB Statement No. 68 & No. 71. Further explanation on this change can be found in Note J in the Notes to Basic Financial Statements. As of June 30, 2021, the District had an accrued balance due to PSERS of \$2,750,831.
- The net position for business-type activities (food service), increased by \$53,334 to \$320,853. This was primarily due to more sales than budgeted. The total reimbursable funds from federal and state governments amounted to \$868,217. The District contracted with the food service management company Nutrition Inc. Depreciation expense amounted to \$7,745.

Fund Level

During the fiscal year ended June 30, 2021, the change in the total Governmental Funds fund balance was a decrease of \$533k to \$11.67 million. This change was primarily a general obligation debt refinancing, expenditures less than anticipated due to COVID-19, and grant money related to COVID-19 received more than budgeted.

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Fund Level

At the close of the fiscal year, the General Fund ending fund balance decreased by \$405,104 to \$7,360,128. Of the \$7,360,128, \$28,901 is classified as nonspendable due to prepaid expenditures; \$2,150,576 is classified as assigned due to these funds being used to balance the 2021-22 budget; \$917,329 is assigned for retirement rate increases; \$4,263,322 is unassigned and is available for any purpose. The District approved the 2020-2021 budget on June 14, 2020. The District is mandated to approve a budget by June 30th

Long-Term Liabilities Excluding Pension and Other Postemployment Benefits

Long-term liabilities excluding pension and other postemployment benefits for government activities decreased to \$70,617,344 million from \$71,322,049 million. General obligation debt ended the year at \$69,515,000 million. The District also has a \$1,028,969 million energy performance lease.

OVERVIEW OF FINANCIAL STATEMENTS

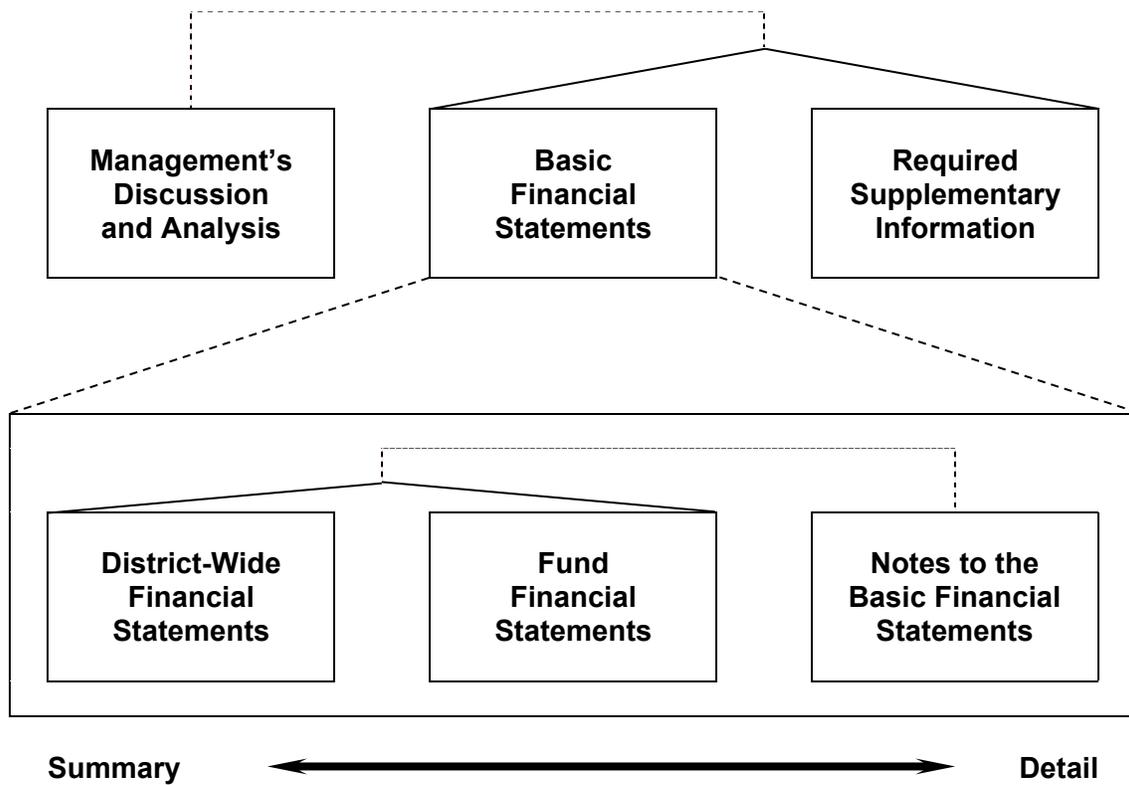
This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two types of financial statements that present different views of the District.

The first type includes two district-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The other type and remaining statements are the fund financial statements that focus on individual parts of the District - reporting the District's operations in more detail than the district-wide statements. The governmental fund statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to the other.

Figure A-1
Organization of the Upper Merion Area School District Annual Financial Report



DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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

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

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position and the Statement of Activities are two financial statements that report information about the District as a whole and about its activities that indicate whether the District is better off or worse off as a result of this year's activities. These statements include all the District's assets and liabilities using the accrual basis of accounting. Revenue and expenses are taken into account regardless of when cash is received or paid.

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

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

Both statements report two activities:

- **Governmental Activities** - Most of the District's basic services such as regular and special education, maintenance and operation of plant services are reported under this category. Taxes, state formula aid finance, and state and federal grants generally fund these programs.
- **Business-type Activities** - The only business-type activity in the District is food service operations. The sources of funding for operations consist of charges for meal purchases and federal and state subsidies.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The District's funds are divided into three categories - (1) governmental, (2) proprietary, and (3) fiduciary.

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

These funds are reported using the modified accrual accounting method, which measures cash, and all other financial assets that can readily be converted to cash. Governmental funds include the general fund and capital projects fund. Because this information does not encompass the additional long-term focus of the District-Wide statements, additional information behind the governmental funds statement explains the relationship (or differences) between them.

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

- Proprietary Fund (Enterprise) - Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method; the same method used by the private sector businesses.
- Fiduciary Funds - The District acts as a trustee or fiduciary for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District's operations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position increased over the course of the fiscal year's operations. This increase occurred in the governmental activities, which increased by \$1.89 million (See A-4). The net position of the District's business-type activities increased \$53,334 due primarily to the outsourcing of Food Services.

Figure A-3
Condensed Statement of Net Position
June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 20,129,048	\$ 18,357,644	\$ 312,280	\$ 280,705	\$ 20,441,328	\$ 18,638,349
Capital assets	65,828,246	70,362,140	43,800	51,545	65,872,046	70,413,685
Other assets	-	-	-	-	-	-
TOTAL ASSETS	85,957,294	88,719,784	356,080	332,250	86,313,374	89,052,034
DEFERRED OUTFLOWS OF RESOURCES						
	18,784,627	13,276,994	-	-	18,784,627	13,276,994
LIABILITIES						
Current and other liabilities	8,573,633	10,921,740	35,227	64,731	8,608,860	10,986,471
Long-term debt liabilities	162,215,314	152,015,754	-	-	162,215,314	152,015,754
TOTAL LIABILITIES	170,788,947	162,937,494	35,227	64,731	170,824,174	163,002,225
DEFERRED INFLOWS OF RESOURCES						
	5,532,707	8,694,225	-	-	5,532,707	8,694,225
NET POSITION						
Net investment in capital assets	(3,274,132)	623,003	43,800	51,545	(3,230,332)	674,548
Restricted	4,300,001	3,362,270	-	-	4,300,001	3,362,270
Unrestricted	(72,605,602)	(73,620,214)	277,053	215,974	(72,328,549)	(73,404,240)
TOTAL NET POSITION	\$ (71,579,733)	\$ (69,634,941)	\$ 320,853	\$ 267,519	\$ (71,258,880)	\$ (69,367,422)

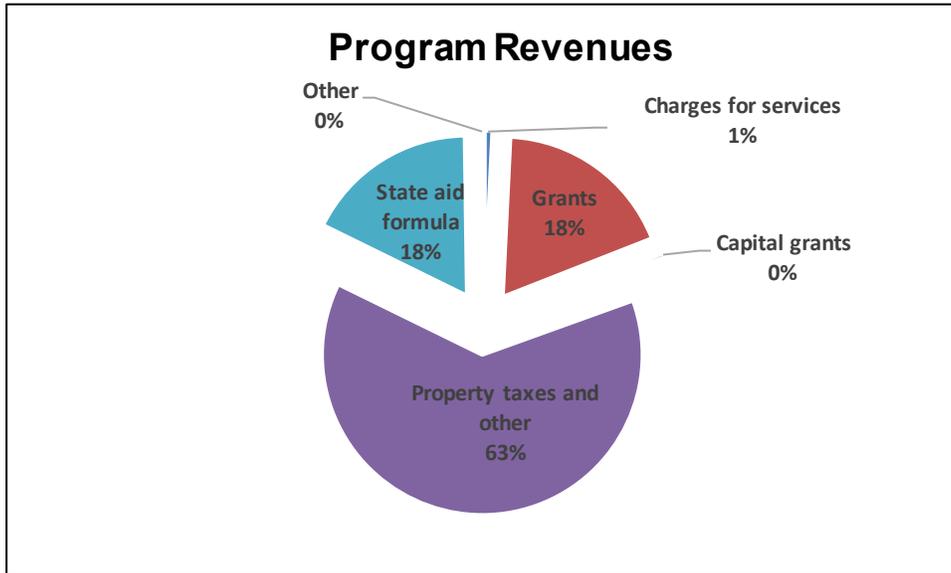
DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Figure A-4
Changes in Net Position from Operating Results
Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 373,065	\$ 337,954	\$ 84,180	\$ 461,312	\$ 457,245	\$ 799,266
Operating grants and contributions	10,165,980	10,249,610	861,407	537,705	11,027,387	10,787,315
Capital grants and contributions	263,347	560,549	-	-	263,347	560,549
General revenues						
Property taxes and other taxes levied for general purposes	37,832,353	37,566,676	-	-	37,832,353	37,566,676
State formula aid	10,567,512	10,153,859	-	-	10,567,512	10,153,859
Other	124,243	447,066	237	2,303	124,480	449,369
TOTAL REVENUES	59,326,500	59,315,714	945,824	1,001,320	60,272,324	60,317,034
EXPENSES						
Instruction	36,616,341	34,515,405	-	-	36,616,341	34,515,405
Instructional student support	5,423,048	4,777,305	-	-	5,423,048	4,777,305
Administrative and financial support services	3,863,011	3,617,552	-	-	3,863,011	3,617,552
Operation and maintenance	8,785,615	6,086,827	-	-	8,785,615	6,086,827
Pupil transportation	3,341,773	3,055,936	-	-	3,341,773	3,055,936
Other	3,241,504	3,615,149	892,490	987,962	4,133,994	4,603,111
TOTAL EXPENSES	61,271,292	55,668,174	892,490	987,962	62,163,782	56,656,136
INCREASE IN NET POSITION	(1,944,792)	3,647,540	53,334	13,358	(1,891,458)	3,660,898
NET POSITION - BEGINNING OF YEAR	(69,634,941)	(73,282,481)	267,519	254,161	(69,367,422)	(73,028,320)
NET POSITION - END OF YEAR	\$ (71,579,733)	\$ (69,634,941)	\$ 320,853	\$ 267,519	\$ (71,258,880)	\$ (69,367,422)

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

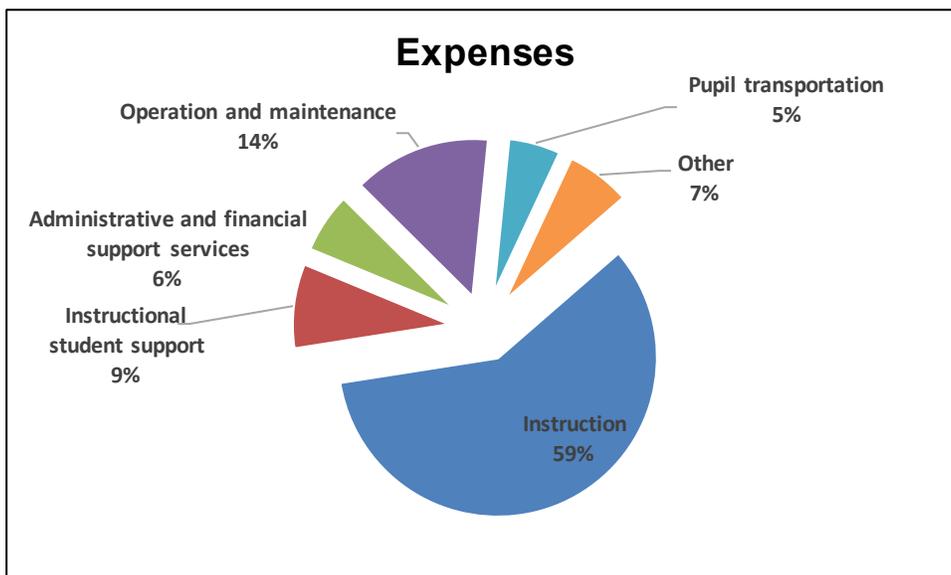
Figure A-5
Sources of Revenues
Year Ended June 30, 2021



Expenses

Total expenses increased 10.1% to \$61.271 million from the previous year.

Figure A-6
Expenses
Year Ended June 30, 2021



DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	\$ 36,616,341	\$ 34,515,405	\$ 29,105,529	\$ 27,389,815
Instructional student support	5,423,048	4,777,305	4,792,929	3,634,798
Administrative and financial support services	3,863,011	3,617,552	3,438,159	3,205,822
Operation and maintenance of plant services	8,785,615	6,086,827	8,489,810	5,816,244
Pupil transportation	3,341,773	3,055,936	1,838,110	1,648,991
Other	3,241,504	3,615,149	2,804,363	2,824,391
	<u>\$ 61,271,292</u>	<u>\$ 55,668,174</u>	<u>\$ 50,468,900</u>	<u>\$ 44,520,061</u>

- The above table represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended June 30, 2021 general revenue supported 79.2% of governmental activities' costs, and program revenue supported 17.6% of governmental activities' costs.
- **Business-Type Activities** - Business-type activities include food service operations. This program had revenues of \$945,824 and expenses of \$892,490 for fiscal year 2021. Business-type activities receive no support from tax revenues.

History of Actual Ending Enrollments During the Past Seven Years

Figure A-7
Enrollment

School Year	ACTUAL ENROLLMENTS			
	Kindergarten	Elementary	Secondary	Total
2013/14	233	1,643	1,722	3,598
2014/15	216	1,571	1,751	3,538
2015/16	185	1,524	1,729	3,438
2016/17	188	1,461	1,764	3,413
2017/18	193	1,473	1,691	3,357
2018/19	191	1,423	1,692	3,306
2019/20	192	1,402	1,601	3,195
2020/21	193	1,494	1,566	3,060

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Figure A-8

Facilities			
Building	Year Constructed	Year of Renovations or Additions	Grades Served
Daniel Boone Area Primary Center	2008	---	K-2
Daniel Boone Area Admin Center	1931	1953, 1972, 1991, 2010	
Daniel Boone Area Interm Center	2002	---	3-5
Birdsboro	1990	---	
Daniel Boone Area Middle School	2005	---	6-8
Daniel Boone Area High School	1998	---	9-12
Daniel Boone High School Annex	1966	1971	9-12

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,082,699	\$ 3,082,699	\$ -	\$ -	\$ 3,082,699	\$ 3,082,699
Site improvements	4,098,057	4,624,024	-	-	4,098,057	4,624,024
Buildings	56,151,922	60,242,422	-	-	56,151,922	60,242,422
Fixtures and equipment	2,281,112	2,412,995	43,800	51,545	2,324,912	2,464,540
Construction in progress	214,456	-	-	-	214,456	-
	<u>\$ 65,828,246</u>	<u>\$ 70,362,140</u>	<u>\$ 43,800</u>	<u>\$ 51,545</u>	<u>\$ 65,872,046</u>	<u>\$ 70,413,685</u>

More detailed information regarding the District's capital assets is included in the notes to the basic financial statements.

Liabilities

Total liabilities amounted to \$170.79 million. The General Obligation Bonds increased by \$1.58 mil to \$69.52 mil. The Energy Performance Lease decreased by \$486.1 thousand to \$1.03 million. Current liabilities decreased by \$486.1 thousand. Current liabilities were primarily comprised of \$1.63 mil in accounts payable, \$2.71 million in accrued salaries and benefits, \$694.6 thousand in accrued interest, \$3.20 million in payroll deductions, and \$3.61 million in current portion of long-term debt (current portion of bonds payable and energy performance lease). Long-term liabilities consisted of \$69.37 million in bonds payable (net of issuance premiums and discounts), \$524.2 thousands in capitalized lease obligation, \$820.4 thousand in compensated absences, \$7.53 million in other postemployment benefits obligation, and \$80.36 million in the District's portion of the net pension liability.

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Outstanding obligations of bonds, compensated absences, and capitalized leases are as follows:

Outstanding Long-Term Liabilities Totals

	<u>2021</u>	<u>2020</u>	<u>% Decrease</u>
Bonds payable	\$ 69,515,000	\$ 67,935,000	
Energy performance lease	1,028,969	1,515,064	
Compensated absences	<u>820,412</u>	<u>815,385</u>	
	<u>\$ 71,364,381</u>	<u>\$ 70,265,449</u>	<u>1.54%</u>

More detailed information regarding the District’s long-term liabilities is included in the notes to the basic financial statements.

LABOR RELATIONS

There are two unions representing employees of the School District. The Daniel Boone Education Association (“DBEA”), an affiliate of the Pennsylvania State Education Association (“PSEA”), represents the Professional Personnel such as teachers and guidance counselors. The current professional staff contract expires on June 30, 2023. The Daniel Boone Federation of Support Staff represents Non-Professional Personnel and is comprised of secretaries, aides, and technology employees. The existing contract expires on June 30, 2021.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Standard & Poor’s (“S&P”) Ratings Services affirmed its “AA-” rating on the District’s General Obligation debt in November 2015. S&P also held a stable outlook on the District. The factors included in the rating determination included; Stable and diverse economy in the Reading metro area, very strong income and wealth in the local economy, and strong financial performance over the last few years.

The District has an approved budget of \$65.01 million for fiscal year 2021-2022. This is an unbalanced budget with estimated revenues at \$63.84 million. In order to balance the budget, the Board of School Directors authorized the use of \$1.17 mil of fund balance. The millage rate for 2021-2022 stayed the same as 2020-2021 and was approved at 32.384 mills. A benefit expense that is a concern to the District is the Public School Employees’ Retirement System (PSERS). The rate the District is responsible for paying into the retirement fund is set in December for the following year. The rate that the District must pay into the PSERS retirement fund is also projected to have steady increases, jumping from 34.51% in the year 2020-21 to 34.94% in year 2021-22. The rate is projected to increase slightly to 1.25% in 2022-23, it is then projected to remain steady for the foreseeable future.

DANIEL BOONE AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

School districts throughout the state continue to operate under the restrictions of Act 1. On June 27, 2006, Governor Rendell signed into law Special Session Act 1 of 2006, the Taxpayer Relief Act, also known as Act 1. Act 1 places restrictions on the District’s ability to raise property taxes. The district can only increase property taxes by an index percentage. The index is an average of the Statewide Average Weekly Wage (SAWW) and the Employment Cost Index for Elementary and Secondary Schools (ECI). Any millage increase above this index will have to be approved through back-end referendum. The index for 2021-2022 is 3%, which is adjusted for the aid ratio to 4%. That means the district can only increase the tax millage to a maximum of 32.8474 mills. This equates to an increase of 1.2634 mills. Any increase above 4.0% would require voter approval of the budget. However, the District may also be eligible for exceptions that can also increase the millage above the index. Approval of exceptions must be done by the PA Department of Education.

The District has received gaming revenue from casino games for the 2020-21 school year in the amount of \$1,155,698. This is combined with the Sterling Act Tax credit of \$42,643 for 2020-21, and is used to lower property taxes.

GASB Statement No. 68 has no bearing on the short-term cash flow or the operations of the District. The change is for the inclusion of the District’s proportionate share of PSERS net pension liability, pension expense, and pension deferred inflows and outflows of resources on the government-wide financial statements. It is possible for the liability to become an asset if the unfunded portion of the pension fund becomes fully funded.

The top ten taxpayers represent 5.4% of the District’s total assessed value of \$1.139 billion (2020-2021).

<u>Taxpayer</u>	<u>Business</u>	<u>Current Assessment</u>
Birdsboro Power LLC	Industrial	\$ 22,877,500
Altus Group, 1152 Ben Franklin Hwy	Developer	6,911,900
Altus Group, 1180 Ben Franklin Hwy	Developer	6,851,800
Old Swede 23, LLC	Developer	6,300,000
O Norheim Corporation	Commercial	5,016,300
RC Douglassville, LLC	Banking	4,523,100
Douglassville Aid II PROPCO, LLC	Commercial	3,220,300
Signature Living At.	Developer	2,109,100
Walter Properties Association LLC	Developer	2,031,000
Valley View Communities LP	Developer	1,776,800
		<u>\$ 61,617,800</u>

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Office, Daniel Boone Area School District, 501 Chestnut Street, Birdsboro, PA 19508.

DANIEL BOONE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 16,574,478	\$ 277,913	\$ 16,852,391
Taxes receivable, net	1,187,762	-	1,187,762
Intergovernmental receivables	2,127,333	32,518	2,159,851
Other receivables	210,574	1,849	212,423
Prepaid expenses	28,901	-	28,901
Capital assets not being depreciated	3,297,155	-	3,297,155
Capital assets, net of accumulated depreciation	62,531,091	43,800	62,574,891
TOTAL CURRENT ASSETS	<u>85,957,294</u>	<u>356,080</u>	<u>86,313,374</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on bond refunding	4,403,476	-	4,403,476
Deferred outflows of resources, pension	13,326,000	-	13,326,000
Deferred outflows of resources, OPEB	1,055,151	-	1,055,151
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>18,784,627</u>	<u>-</u>	<u>18,784,627</u>
LIABILITIES			
Accounts payable	1,626,988	983	1,627,971
Accrued interest	694,554	-	694,554
Accrued salaries and benefits	5,910,868	-	5,910,868
Unearned revenue	285,531	34,244	319,775
Other current liabilities	55,692	-	55,692
Noncurrent liabilities, due within one year	3,609,782	-	3,609,782
Noncurrent liabilities			
Bonds payable, net	69,371,885	-	69,371,885
Capitalized lease obligations	524,187	-	524,187
Accumulated compensated absences	820,412	-	820,412
Net pension liability	80,358,000	-	80,358,000
Net OPEB liability	7,531,048	-	7,531,048
TOTAL LIABILITIES	<u>170,788,947</u>	<u>35,227</u>	<u>170,824,174</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	4,212,000	-	4,212,000
Deferred inflows of resources, OPEB activity	1,320,707	-	1,320,707
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,532,707</u>	<u>-</u>	<u>5,532,707</u>
NET POSITION			
Net investment in capital assets	(3,274,132)	43,800	(3,230,332)
Restricted	4,300,001	-	4,300,001
Unrestricted	(72,605,602)	277,053	(72,328,549)
TOTAL NET POSITION	<u>\$ (71,579,733)</u>	<u>\$ 320,853</u>	<u>\$ (71,258,880)</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 36,616,341	\$ 44,968	\$ 7,465,844	\$ -	\$ (29,105,529)	\$ -	\$ (29,105,529)
Instructional student support	5,423,048	-	630,119	-	(4,792,929)	-	(4,792,929)
Administrative and financial support services	3,863,011	-	424,852	-	(3,438,159)	-	(3,438,159)
Operation and maintenance of plant services	8,785,615	275,397	20,408	-	(8,489,810)	-	(8,489,810)
Pupil transportation	3,341,773	-	1,503,663	-	(1,838,110)	-	(1,838,110)
Student activities	1,183,428	52,700	121,094	-	(1,009,634)	-	(1,009,634)
Interest on long-term debt	2,058,076	-	-	263,347	(1,794,729)	-	(1,794,729)
TOTAL GOVERNMENTAL ACTIVITIES	61,271,292	373,065	10,165,980	263,347	(50,468,900)	-	(50,468,900)
BUSINESS-TYPE ACTIVITIES							
Food services	892,490	84,180	861,407	-	-	53,097	53,097
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 62,163,782	\$ 457,245	\$ 11,027,387	\$ 263,347	(50,468,900)	53,097	(50,415,803)
GENERAL REVENUES							
Taxes							
Property taxes							
					33,705,878	-	33,705,878
Public utility realty, earned income, and per capita tax							
					4,126,475	-	4,126,475
Grants, subsidies, and contributions not restricted for specific programs							
					10,567,512	-	10,567,512
Investment earnings							
					26,656	237	26,893
Miscellaneous revenue							
					97,587	-	97,587
TOTAL GENERAL REVENUES							
					48,524,108	237	48,524,345
CHANGE IN NET POSITION							
					(1,944,792)	53,334	(1,891,458)
NET POSITION AT BEGINNING OF YEAR							
					(69,634,941)	267,519	(69,367,422)
NET POSITION AT END OF YEAR							
					(71,579,733)	320,853	(71,258,880)

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 13,022,151	\$ 3,552,327	\$ 16,574,478
Taxes receivable, net	1,187,762	-	1,187,762
Due from other funds	-	1,000,000	1,000,000
Intergovernmental receivables	2,127,333	-	2,127,333
Other receivables	210,574	-	210,574
Prepaid expenditures	<u>28,901</u>	<u>-</u>	<u>28,901</u>
TOTAL ASSETS	<u>\$ 16,576,721</u>	<u>\$ 4,552,327</u>	<u>\$ 21,129,048</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,374,662	\$ 252,326	\$ 1,626,988
Accrued salaries and benefits	5,910,868	-	5,910,868
Unearned revenues	285,531	-	285,531
Due to other funds	1,000,000	-	1,000,000
Other current liabilities	<u>55,692</u>	<u>-</u>	<u>55,692</u>
TOTAL LIABILITIES	<u>8,626,753</u>	<u>252,326</u>	<u>8,879,079</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue, property taxes	<u>589,840</u>	<u>-</u>	<u>589,840</u>
FUND BALANCES			
Nonspendable	28,901	-	28,901
Restricted	-	4,300,001	4,300,001
Assigned	3,067,905	-	3,067,905
Unassigned	<u>4,263,322</u>	<u>-</u>	<u>4,263,322</u>
TOTAL FUND BALANCES	<u>7,360,128</u>	<u>4,300,001</u>	<u>11,660,129</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 16,576,721</u>	<u>\$ 4,552,327</u>	<u>\$ 21,129,048</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES		\$ 11,660,129
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$128,887,951 and the accumulated depreciation is \$63,059,705.		65,828,246
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance of doubtful accounts.		589,840
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of :		
Bonds payable	\$ (69,515,000)	
Unamortized bond discount	29,258	
Unamortized bond premium	(2,991,143)	
Deferred charge on bond refunding	4,403,476	
Capitalized lease obligations	(1,028,969)	
Accrued interest on long-term liabilities	(694,554)	
Long-term portion of compensated absences	<u>(820,412)</u>	(70,617,344)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(71,244,000)
The other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		<u>(7,796,604)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (71,579,733)</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
Local sources	\$ 38,897,626	\$ 12,930	\$ 38,910,556
State sources	19,267,716	-	19,267,716
Federal sources	1,080,411	-	1,080,411
TOTAL REVENUES	<u>59,245,753</u>	<u>12,930</u>	<u>59,258,683</u>
EXPENDITURES			
Instructional services	36,715,589	-	36,715,589
Support services	17,063,955	228,851	17,292,806
Operation of non-instructional services	1,231,618	-	1,231,618
Facilities acquisition, construction and improvement	8,949	1,446,348	1,455,297
Debt service			
Principal	954,950	-	954,950
Interest	2,191,541	-	2,191,541
Refund of prior year revenue	63,282	-	63,282
TOTAL EXPENDITURES	<u>58,229,884</u>	<u>1,675,199</u>	<u>59,905,083</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,015,869</u>	<u>(1,662,269)</u>	<u>(646,400)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	22,385,000	-	22,385,000
Premium on refunding bonds issued	139,779	-	139,779
Discount on refunding bonds issued	(31,479)	-	(31,479)
Payment to refunded bond escrow agent	(22,114,616)	-	(22,114,616)
Sale of capital asset	800,343	-	800,343
Transfers in	-	2,600,000	2,600,000
Transfers out	(2,600,000)	-	(2,600,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,420,973)</u>	<u>2,600,000</u>	<u>1,179,027</u>
NET CHANGE IN FUND BALANCES	(405,104)	937,731	532,627
FUND BALANCES AT BEGINNING OF YEAR	<u>7,765,232</u>	<u>3,362,270</u>	<u>11,127,502</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,360,128</u>	<u>\$ 4,300,001</u>	<u>\$ 11,660,129</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 532,627

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.

Capital outlays	\$ 758,127	
Less: Disposal of capital assets	(1,681,108)	
Less: Depreciation expense	<u>(3,610,913)</u>	(4,533,894)

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

67,817

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.

Repayment of bond principal	470,000	
Repayment of capital lease obligations	486,095	
Payment to Refunded Bond Escrow Agent	22,114,616	
Issuance of Refunding Bonds	(22,385,000)	
Premium/Discount on Issuance of Refunding Bonds	(108,300)	
Amortization of bond discount	(3,529)	
Amortization of bond premium	417,851	
Amortization of deferred charge on bond refunding	<u>(354,974)</u>	636,759

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

72,972

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	(5,026)	
Net pension liability and related deferred outflows and inflows	(191,894)	
Net OPEB liability and related deferred outflows and inflows	<u>1,475,847</u>	<u>1,278,927</u>

CHANGE IN NET POSITION OF GOVERNMENTAL
ACTIVITIES

\$ (1,944,792)

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 277,913
Intergovernmental receivables	32,518
Other receivables	<u>1,849</u>
TOTAL CURRENT ASSETS	<u>312,280</u>
NONCURRENT ASSETS	
Equipment, net	<u>43,800</u>
TOTAL ASSETS	<u>356,080</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	983
Unearned revenues	<u>34,244</u>
TOTAL CURRENT LIABILITIES	<u>35,227</u>
NET POSITION	
Investment in capital assets	43,800
Unrestricted	<u>277,053</u>
TOTAL NET POSITION	<u>\$ 320,853</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service	\$ <u>85,685</u>
OPERATING EXPENSES	
Food service management fees	767,126
Other purchased services	47,871
Supplies	71,253
Depreciation	7,745
TOTAL OPERATING EXPENSES	<u>893,995</u>
OPERATING LOSS	<u>(808,310)</u>
NONOPERATING REVENUES	
Interest and investment revenue	237
State sources	27,364
Federal sources	834,043
TOTAL NONOPERATING REVENUES	<u>861,644</u>
CHANGE IN NET POSITION	53,334
NET POSITION AT BEGINNING OF YEAR	<u>267,519</u>
NET POSITION AT END OF YEAR	<u>\$ <u>320,853</u></u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from users	\$ 110,579
Payments to suppliers for goods and services	<u>(906,258)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(795,679)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	27,669
Federal sources	<u>840,548</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>868,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>237</u>
NET INCREASE IN CASH AND INVESTMENTS	72,775
CASH AT BEGINNING OF YEAR	<u>205,138</u>
CASH AT END OF YEAR	<u>\$ 277,913</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (808,310)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	7,745
Changes in assets and liabilities	
Other receivables	34,390
Accounts payable	(20,008)
Unearned revenues	<u>(9,496)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (795,679)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 68,528

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Custodial Fund	
	Scholarship	Student Activities
ASSETS		
Cash	\$ 53,454	\$ 283,488
Other receivable	-	58
TOTAL ASSETS	53,454	283,546
LIABILITIES		
Accounts payable	-	3,763
NET POSITION		
Restricted for scholarships	53,454	-
Restricted for student activities	-	279,783
TOTAL NET POSITION	\$ <u>53,454</u>	\$ <u>279,783</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Custodial Funds	
	Scholarship	Student Activities
ADDITIONS		
Contributions	\$ -	\$ 26,470
Earnings on investments	27	494
TOTAL ADDITIONS	<u>27</u>	<u>26,964</u>
DEDUCTIONS		
Scholarships	4,900	-
Student activities	-	53,037
TOTAL DEDUCTIONS	<u>4,900</u>	<u>53,037</u>
CHANGE IN FIDUCIARY NET POSITION	(4,873)	(26,073)
NET POSITION AT BEGINNING OF YEAR, restated*	<u>58,327</u>	<u>305,856</u> *
NET POSITION AT END OF YEAR	<u>\$ 53,454</u>	<u>\$ 279,783</u>

See accompanying notes to the basic financial statements.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Daniel Boone Area School District (the "District") is located in Berks County, Pennsylvania. The District tax base consists of the Borough of Birdsboro, Amity Township, and Union Township.

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

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

The financial statements of Daniel Boone Area School District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and the legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Joint Venture: The District is a participating member of the Berks Career & Technology Center. See Note M for details of involvement and financial information of the joint venture.

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

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Financial Statements

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

The District Reports the Following Major Governmental Funds:

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

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities.

The District has the Following Major Enterprise Fund:

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

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are custodial funds. The District's student activities fund and athletic fundraiser fund are custodial funds.

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus and Basis of Accounting

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

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

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

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The trust funds are reported using the *accrual basis of accounting*. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting assets and liabilities.

Budgetary Process

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

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

Accelerated Budget Process Option

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

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1. The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated.

The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Financial Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

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

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

Interfund Transactions

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

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

Capital Assets, Depreciation, and Amortization

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

The District generally capitalizes assets with cost of \$3,000 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$3,000 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

	<u>Years</u>
Buildings and building improvements	20-50
Land improvements	15-20
Equipment, furniture, and fixtures	3-20
Vehicles	8-10
Library and textbooks	5-7

Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2021.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

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

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days based on employment agreements. Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund statements. Accumulated vacation, personal and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation, personal or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

Long-Term Obligations

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

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

Pension

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other Postemployment Benefits (OPEB)

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

PSERS OPEB Plan

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

District OPEB Plan

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

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

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Net Position

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Policies and Flow Assumptions

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

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

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

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

The District does not have a minimum fund balance policy. However, the policy states that the District will strive to maintain an unassigned general fund balance of not less than one percent and not more than eight percent of the budgeted expenditures for that fiscal year.

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Deficit Fund Balance or Net Position of Individual Funds

For the year ended June 30, 2021, no individual funds had a deficit fund balance or net position.

NOTE C - CASH AND INVESTMENTS

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

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

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

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

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE C - CASH AND INVESTMENTS (Continued)

The carrying amount of cash and investments at June 30, 2021, consists of the following:

Petty cash	\$	706
Cash		17,010,830
Pooled cash and investments		<u>177,797</u>
	\$	<u><u>17,189,333</u></u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2021, the carrying amount of the District's deposits was \$17,189,333 and the bank balance was \$17,522,831. Of the bank balance, \$250,000 was covered by federal depository insurance, \$17,009,467 was exposed to custodial credit risk, but was covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly, and \$263,364 was held in a state investment pool (see below). The District participates in an insured cash sweep savings account which spreads savings funds through a variety of banks with allocated funds at each bank being under the FDIC limit.

As of June 30, 2021, the District had the following funds in a state investment pool:

	<u>Maturities</u>	<u>Amortized Cost</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
MAX Account Balance	<1 Year	\$ 263,364	\$ 263,364
Less reconciling items			<u>(85,567)</u>
TOTAL POOLED CASH AND INVESTMENTS			<u><u>\$ 177,797</u></u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$263,364 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE C - CASH AND INVESTMENTS (Continued)

A portion of the District's deposits was in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals. As of June 30, 2021, the entire PSDLAF book balance of \$177,797 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the District does not have any investments subject to this risk.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2021, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PSDLAF	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District has no investments subject to this risk.

Custodial Credit Risk

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE D - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has three independently elected tax collectors who have relinquished responsibility for the collection of taxes. The tax collectors have deputized a District approved financial institution for the collection of taxes on their behalf via a lockbox account. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$1,139,508,200. In accordance with Act 1 of 2006, the District received \$1,258,179 in property tax reduction funds for the 2020/2021 fiscal year. The District tax rate for the year ended June 30, 2021, was 31.584 mills (\$31.584 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

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

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

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

	Gross Taxes Receivable	Allow ance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate property tax	\$ 692,163	\$ -	\$ 692,163	\$ 102,323	\$ 589,840
Transfer tax	54,139	-	54,139	54,139	-
Earned income tax	441,460	-	441,460	441,460	-
	<u>\$ 1,187,762</u>	<u>\$ -</u>	<u>\$ 1,187,762</u>	<u>\$ 597,922</u>	<u>\$ 589,840</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - TAX ABATEMENT AGREEMENT ENTERED INTO BY OTHER GOVERNMENT

As of June 30, 2021, the District has one business that has been certified as a qualified business under the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone, and Keystone Opportunity Improvement Zone Act (KOZ) through the Pennsylvania Department of Community and Economic Development. As a qualified business, the Company is entitled to receive sales tax benefits and property tax benefits. Qualified businesses must apply and be certified annually. The qualified business located within the District is exonerated from all property real estate taxes for the year. For the year ended June 30, 2020 (the most recent information available), the foregone real estate tax revenue as a result of the KOZ was \$188,646. The District has not made any commitments other than to reduce taxes.

NOTE F - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund receivables/payables are summarized as follows at June 30, 2021:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,000,000
Capital Projects	<u>1,000,000</u>	<u>-</u>
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Interfunds represent amounts owed by the General Fund to the Capital Projects Fund for anticipated capital improvement needs.

Interfund transfers are summarized as follows at June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,600,000
Capital Projects	<u>2,600,000</u>	<u>-</u>
	<u>\$ 2,600,000</u>	<u>\$ 2,600,000</u>

Transfers were made for anticipated capital improvement needs.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - INTERGOVERNMENTAL RECEIVABLES

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

	<u>General Fund</u>	<u>Enterprise Food Service</u>
Commonwealth of Pennsylvania		
Retirement	\$ 1,505,200	\$ -
Social Security	308,294	-
National School Lunch Program	-	1,181
Federal Subsidies		
Title II	2,356	-
COVID-19 - FEMA Emergency Protective Measures	41,793	-
COVID-19 - Child Nutrition Cluster	-	31,337
COVID-19 - SECIM	7,708	-
COVID-19 - GEER	40,062	-
COVID-19 - ESSER School Health and Safety	91,979	-
Lancaster-Lebanon Intermediate Unit Special Education - Grants to States	11,037	-
Berks County Intermediate Unit Special Education - Grants to States	109,244	-
Berks County Intermediate Unit - Preschool Grants	<u>9,660</u>	<u>-</u>
	<u>\$ 2,127,333</u>	<u>\$ 32,518</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE H - CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,082,699	\$ -	\$ -	\$ 3,082,699
Construction-in-progress	-	214,456	-	214,456
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	3,082,699	214,456	-	3,297,155
Capital assets being depreciated				
Buildings and building improvements	109,218,178	152,975	(6,702,396)	102,668,757
Land improvements	11,899,943	-	(282,197)	11,617,746
Equipment, furniture, and fixtures	10,238,321	333,649	(547,311)	10,024,659
Vehicles	144,022	-	-	144,022
Library and textbooks	1,263,993	57,047	(185,428)	1,135,612
TOTAL CAPITAL ASSETS BEING DEPRECIATED	132,764,457	543,671	(7,717,332)	125,590,796
Accumulated depreciation				
Buildings and building improvements	(48,975,756)	(2,581,232)	5,040,153	(46,516,835)
Land improvements	(7,275,919)	(525,967)	282,197	(7,519,689)
Equipment, furniture, and fixtures	(7,945,522)	(453,319)	530,065	(7,868,776)
Vehicles	(114,145)	(5,279)	-	(119,424)
Library and textbooks	(1,173,674)	(45,116)	183,809	(1,034,981)
TOTAL ACCUMULATED DEPRECIATION	(65,485,016)	(3,610,913)	6,036,224	(63,059,705)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	67,279,441	(3,067,242)	(1,681,108)	62,531,091
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 70,362,140	\$ (2,852,786)	\$ (1,681,108)	\$ 65,828,246
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Equipment	\$ 449,128	\$ -	\$ -	\$ 449,128
Accumulated depreciation	(397,583)	(7,745)	-	(405,328)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 51,545	\$ (7,745)	\$ -	\$ 43,800

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

Instruction	\$ 862,256
Instructional student support	353,975
Administrative and financial support services	1,285
Operation and maintenance of plant services	2,388,890
Student activities	4,507
	<u>\$ 3,610,913</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - LONG-TERM LIABILITIES

The District issues general obligation bonds and leases to provide resources for major capital improvements. The bonds and leases are direct obligations issued on a pledge of the full faith and credit of the District as well as its general taxing authority. Bonds and lease obligations payable are as follows at June 30, 2021:

General Obligation Bonds, Series of 2017

The District is liable for general obligation bonds issued on February 16, 2017, in the aggregate amount of \$31,685,000, for the purpose of currently refunding the District's outstanding School Lease Revenue Bonds of 2007 and to pay debt issuance costs. Principal maturities occur on April 1 through the year 2030. Interest is payable semi-annually on October 1 and April 1. Interest rates range from 1.15% to 4.0%. The District realized a savings of \$3,882,187 as a result of the refunding.

\$ 23,630,000

General Obligation Bonds, Series of 2017A

The District is liable for general obligation bonds issued on July 6, 2017, in the aggregate amount of \$13,490,000, for the purpose of advance refunding the remaining portion of the District's outstanding General Obligation Bonds - Series of 2008 and to pay debt issuance costs. Principal maturities occur on August 15 through the year 2031. Interest is payable semi-annually on February 15 and August 15. Interest rates range from 0.83% to 4%. The District realized a savings of \$831,267 as a result of the refunding.

5,340,000

General Obligation Bonds, Series of 2019

The District is liable for general obligation bonds issued on November 18, 2019 in the aggregate amount of \$9,755,000, for the purpose of currently refunding the outstanding General Obligation Bonds - Series of 2014 and to pay debt issuance costs. Principal maturities occur on August 15 through the year 2030. Interest is payable semi-annually on February 15 and August 15 at a rate of 2.0%. The District realized a savings of \$630,559 as a result of the refunding.

8,665,000

General Obligation Bonds, Series of 2020

The District is liable for general obligation bonds issued on January 3, 2020, in the aggregate amount of \$9,790,000, for the purpose of currently refunding the General Obligation Bonds - Series of 2015 and to pay debt issuance costs. Principal maturities occur on August 15 through the year 2032. Interest is payable semi-annually on February 15 and August 15. Interest rates range from 1.3% to 3%. The District realized a savings of \$475,490 as a result of the refunding.

9,495,000

SUBTOTAL FORWARD

\$ 47,130,000

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

SUBTOTAL FORWARDED \$ 47,130,000

General Obligation Note, Series A of 2020 (Federally Taxable)

The District is liable for general obligation notes issued on July 9, 2020, in the aggregate amount of \$14,085,000, for the purpose of to advance refund restructure portions of the General Obligation Bonds - Series of 2016, 2017 and 2019 and to pay debt issuance costs. Principal maturities occur on February 15, 2034 and 2035. Interest is payable semi-annually on February 15 and August 15. Interest rates range from 2.33% to 2.43%. The District realized an increase in future cash flows of \$3,183,761 and an economic loss of \$1,811,820 as a result of the refunding.

14,085,000

General Obligation Note, Series B of 2020

The District is liable for general obligation notes issued on July 9, 2020, in the aggregate amount of \$2,495,000, for the purpose of to advance refund restructure portions of the General Obligation Bonds - Series A of 2017 and to pay debt issuance costs. Principal maturities occur on February 15 through the year 2034. Interest is payable semi-annually on February 15 and August 15. Interest rates range from 1.0% to 2.0%. The District realized an increase in future cash flows of \$742,475 and an economic loss of \$88,770 as a result of the refunding.

2,495,000

General Obligation Note, Series of 2021

The District is liable for general obligation notes issued on February 23, 2021, in the aggregate amount of \$5,805,000, for the purpose of to currently refund the outstanding General Obligation Bonds - Series of 2016 and to pay debt issuance costs. Principal maturities occur on February 15 through the year 2033. Interest is payable semi-annually on February 15 and August 15. Interest rates range from 0.3% to 2.0%. The District realized a decrease in future cash flows of \$1,015,913 and an economic loss of \$554,692 as a result of the refunding.

5,805,000

Energy Performance Lease

Issued March 3, 2008, with installments due quarterly through April 1, 2023, bearing interest at a 3.79% rate. Proceeds will be used to purchase equipment to reduce energy consumption at the high school.

1,028,969

\$ 70,543,969

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

The future annual payments required to amortize all bonds and leases payable for the years ending June 30 are as follows:

Year Ending June 30,	General Obligation Bonds and Notes					
	Series of 2017	Series of 2017A	Series of 2019	Series of 2020	Series of 2020A	Series of 2020B
2022	\$ 2,465,000	\$ 260,000	\$ 190,000	\$ 175,000	\$ -	\$ 5,000
2023	2,685,000	260,000	150,000	130,000	-	5,000
2024	2,790,000	810,000	145,000	135,000	-	5,000
2025	2,915,000	845,000	150,000	130,000	-	5,000
2026	3,030,000	875,000	155,000	130,000	-	5,000
2027-2031	9,745,000	1,725,000	7,875,000	4,500,000	-	25,000
2032-2036	-	565,000	-	4,295,000	14,085,000	2,445,000
	<u>\$ 23,630,000</u>	<u>\$ 5,340,000</u>	<u>\$ 8,665,000</u>	<u>9,495,000</u>	<u>\$ 14,085,000</u>	<u>\$ 2,495,000</u>

Year Ending June 30,	General Obligation Bond Series of 2021	Total General Obligation Bonds and Notes	Energy Performance Lease	Total General Long-Term Debt	Interest Maturities
2022	\$ 10,000	\$ 3,105,000	\$ 504,782	\$ 3,609,782	\$ 2,241,025
2023	5,000	3,235,000	524,187	3,759,187	2,090,102
2024	5,000	3,890,000	-	3,890,000	1,957,078
2025	5,000	4,050,000	-	4,050,000	1,796,478
2026	5,000	4,200,000	-	4,200,000	1,645,890
2027-2031	30,000	23,900,000	-	23,900,000	5,340,984
2032-2036	5,745,000	27,135,000	-	27,135,000	1,882,561
	<u>\$ 5,805,000</u>	<u>\$ 69,515,000</u>	<u>\$ 1,028,969</u>	<u>\$ 70,543,969</u>	<u>\$ 16,954,118</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - LONG-TERM LIABILITIES (Continued)

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

General obligation bonds and notes					
Bonds and notes payable	\$ 67,935,000	\$ 22,385,000	\$ (20,805,000)	\$ 69,515,000	\$ 3,105,000
Premiums	4,131,590	139,779	(1,280,226)	2,991,143	-
Discounts	(15,857)	(31,479)	18,078	(29,258)	-
TOTAL	<u>72,050,733</u>	<u>22,493,300</u>	<u>(22,067,148)</u>	<u>72,476,885</u>	<u>3,105,000</u>
Capital lease obligation					
Energy performance lease	1,515,064	-	(486,095)	1,028,969	504,782
Other liabilities					
Compensated absences	815,385	5,027	-	820,412	-
Net pension liability	73,776,000	6,582,000	-	80,358,000	-
Net OPEB liabilities	<u>7,304,666</u>	<u>226,382</u>	<u>-</u>	<u>7,531,048</u>	<u>-</u>
	<u>\$ 155,461,848</u>	<u>\$ 29,306,709</u>	<u>\$ (22,553,243)</u>	<u>\$ 162,215,314</u>	<u>\$ 3,609,782</u>

Payments on bonds payable and capital leases obligations are made by the general fund. The compensated absence liabilities will be liquidated by the general fund. Total interest expense paid during the year ended June 30, 2021, was \$2,166,013. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general fund. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general fund.

Events of Default

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - EMPLOYEE RETIREMENT PLANS

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)

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 (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$7,470,000 for the year ended June 30, 2021.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)

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

At June 30, 2021, the School District reported a liability of \$80,358,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.1632%, which was an increase of 0.0055% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$5,994,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 210,000	\$ 1,926,000
Net difference between projected and actual investment earnings	3,532,000	-
Changes in proportions	1,970,000	2,286,000
Difference between employer contributions and proportionate share of total contributions	144,000	-
Contributions subsequent to the measurement date	<u>7,470,000</u>	<u>-</u>
	<u>\$ 13,326,000</u>	<u>\$ 4,212,000</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)

\$7,470,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ (1,707,000)
2023	600,000
2024	1,702,000
2025	<u>1,049,000</u>
	<u>\$ 1,644,000</u>

Actuarial Assumptions

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

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

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</u>	

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, 2020.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ 99,420,000	\$ 80,358,000	\$ 64,210,000

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

403(b) Tax Shelter Plan

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

NOTE K - OTHER POSTEMPLOYMENT BENEFIT PLANS - PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 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 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFIT PLANS - PSERS (Continued)

Benefits Provided

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

Contributions

The school district's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$183,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,524,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.1631% percent, which was an increase of 0.0054% from its proportion measured as of June 30, 2020.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFIT PLANS - PSERS (Continued)

For the year ended June 30, 2021, the District recognized OPEB expense of \$132,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 32,000	\$ -
Changes in assumptions	144,000	77,000
Net difference between projected and actual investment earnings	6,000	-
Changes in proportions	97,000	213,000
Difference between employer contributions and proportionate share of total contributions	-	2,000
Contributions subsequent to the measurement date	<u>183,000</u>	<u>-</u>
	<u>\$ 462,000</u>	<u>\$ 292,000</u>

\$183,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (35,000)
2023	(36,000)
2024	(37,000)
2025	38,000
2026	32,000
Thereafter	<u>25,000</u>
	<u>\$ (13,000)</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFIT PLANS - PSERS (Continued)

Actuarial Assumptions

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 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 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% 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.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFIT PLANS - PSERS (Continued)

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	50.3%	1.00%
Non-US Developed Fixed	3.2%	0.10%
US Core Fixed income	<u>46.5%</u>	0.10%
	<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, 2020.

Discount Rate

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

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFIT PLANS - PSERS (Continued)

The following presents the net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ <u>3,524,000</u>	\$ <u>3,524,000</u>	\$ <u>3,524,000</u>

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in the Discount Rates

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
School District's proportionate share of the net OPEB liability	\$ <u>4,018,000</u>	\$ <u>3,524,000</u>	\$ <u>3,115,000</u>

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.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE L - OTHER POSTEMPLOYMENT BENEFIT PLANS – SINGLE EMPLOYER PLAN

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

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

Benefits Provided

Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to retirees:

Administrators, Teachers, and Support Staff:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Retirement through PSERS	<p><u>Coverage</u> Medical, Prescription Drug, Dental, and Vision</p> <p><u>Premium Sharing</u> The member and spouse may elect to continue medical, prescription, drug, dental, and vision coverage by paying the full premium costs to the district. If the member elects to continue coverage beyond age 65, the member must switch to the Medicare Supplemental Plan. If the spouse’s coverage is extended beyond 65 (due to member being under 65), the spouse must switch to the Medicare Supplemental Plan.</p>	<p>The member may continue benefits for life.</p> <p>The spouse may continue benefits until the earlier of member age 65 or member death.</p>

* Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. To be eligible for this benefit, retirees must have taken superannuation retirement on or after age 65, retired with 30 years of service, or receive PSERS disability benefits.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE L - OTHER POSTEMPLOYMENT BENEFIT PLANS – SINGLE EMPLOYER PLAN
(Continued)

PSERS Retirement:

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 and 5 years of PSERS Service 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
- 3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2020, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	345
Retired participants	124
TOTAL	469

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2020, was determined by rolling forward the District’s total OPEB liability as of July 1, 2019 to July 1, 2020, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate – 1.86% - based on the Standard & Poor’s Municipal Bond 20 Year High Grade Rate Index at 7/1/19.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE L - OTHER POSTEMPLOYMENT BENEFIT PLANS – SINGLE EMPLOYER PLAN
(Continued)

- Healthcare cost trend rates - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 75% of teachers and administrators and 45% of the support staff are assumed to elect coverage.

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

Changes in the Total OPEB Liability

	<u>OPEB Liability</u>
Balance at July 1, 2020	\$ <u>3,950,666</u>
Changes for the year	
Service cost	242,296
Interest	138,866
Changes for experience	
Differences between expected and actual experience	(638,601)
Changes in assumptions	424,664
Benefit payments	(110,843)
Net changes	<u>56,382</u>
Balance at June 30, 2021	\$ <u><u>4,007,048</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.36% to 1.86%.

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

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

	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Plan - Total OPEB liability	\$ <u>4,317,713</u>	\$ <u>4,007,048</u>	\$ <u>3,707,318</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE L - OTHER POSTEMPLOYMENT BENEFIT PLANS – SINGLE EMPLOYER PLAN
(Continued)

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB liability	\$ <u>3,490,452</u>	\$ <u>4,007,048</u>	\$ <u>4,620,173</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$313,848. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 874,459
Changes in assumptions	521,816	154,248
Benefit payments made subsequent to measurement date	<u>71,335</u>	<u>-</u>
	<u>\$ 593,151</u>	<u>\$ 1,028,707</u>

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE L - OTHER POSTEMPLOYMENT BENEFIT PLANS – SINGLE EMPLOYER PLAN
(Continued)

The \$71,335 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

<u>June 30,</u>	
2022	\$ (67,314)
2023	(67,314)
2024	(67,314)
2025	(67,314)
2026	(67,314)
Thereafter	<u>(170,321)</u>
	<u>\$ (506,891)</u>

NOTE M - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The board of directors of each participating district must approve the Center’s annual operating budget. The District’s share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District’s share for the 2020/2021 year was \$1,007,573.

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

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total assets and deferred outflows of resources	\$ 32,849,856
Total liabilities and deferred inflows of resources	<u>(31,170,792)</u>
TOTAL NET POSITION	\$ <u>1,679,064</u>

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

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

NOTE O - CONTINGENT LIABILITIES

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

The District has entered into an agreement for the transportation of students. The Agreement is for the period of July 1, 2016 through June 30, 2021. The contractor provides all equipment, fuel and labor necessary. The cost for the transportation services is determined based on a yearly base service cost, which is reconciled prior to June 30th each year.

The District is involved in routine litigation incidental to the conduct of its business. The results, in the opinion of management, are not likely to affect the District's financial condition, results of operations, or cash flows.

NOTE P - FUND BALANCE

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

General Fund

The general fund has a nonspendable fund balance of \$28,901 for prepaid expenditures; assigned funds of \$3,067,905 consisting of \$2,150,576 to balance the 2021/2022 budget and \$917,329 for retirement rate increases; and unassigned fund balance of \$5,263,322.

Capital Projects

The capital projects fund has restricted funds of \$3,300,001 comprised of surplus moneys transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE Q - PRIOR PERIOD RESTATEMENT

The School District implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

For the custodial funds, the School District has treated the beginning of year net position for student activities of \$364,183 as having been recognized in the period incurred. The School District has adjusted the beginning net position for the custodial fund from \$0 to \$364,183.

NOTE R - NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

DANIEL BOONE AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 36,742,650	\$ 36,742,650	\$ 38,897,626	\$ 2,154,976
State sources	20,024,099	20,024,099	19,267,716	(756,383)
Federal sources	765,000	765,000	1,080,411	315,411
TOTAL REVENUES	57,531,749	57,531,749	59,245,753	1,714,004
EXPENDITURES				
Instructional services				
Regular programs - elementary/secondary	26,457,303	26,546,693	26,146,665	400,028
Special programs - elementary/secondary	9,401,252	9,469,172	9,217,525	251,647
Vocational education	1,230,149	1,230,619	1,235,072	(4,453)
Other instructional programs - elementary/secondary	48,237	33,237	94,305	(61,068)
Nonpublic school programs	-	21,984	22,022	(38)
TOTAL INSTRUCTIONAL SERVICES	37,136,941	37,301,705	36,715,589	586,116
Support services				
Students	1,400,017	1,372,453	1,296,737	75,716
Instructional staff	3,434,774	3,623,953	3,720,908	(96,955)
Administration	3,008,259	2,901,710	3,369,088	(467,378)
Pupil health	591,760	619,360	581,643	37,717
Business	632,059	601,186	527,592	73,594
Operation and maintenance of plant	3,974,237	4,046,937	4,134,662	(87,725)
Student transportation	3,751,798	3,689,780	3,344,369	345,411
Central	53,294	37,132	51,455	(14,323)
Other	40,000	40,000	37,501	2,499
TOTAL SUPPORT SERVICES	16,886,198	16,932,511	17,063,955	(131,444)
Operation of non-instructional services				
Student activities	1,227,715	1,295,831	1,231,618	64,213
Facilities acquisition, construction and improvement	-	-	8,949	(8,949)
Debt service	3,521,376	3,241,211	3,146,491	94,720
Refund of prior year revenue	-	972	63,282	(62,310)
TOTAL EXPENDITURES	58,772,230	58,772,230	58,229,884	542,346
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(1,240,481)	(1,240,481)	1,015,869	1,171,658
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	22,385,000	22,385,000
Premium on issuance of refunding bonds	-	-	139,779	139,779
Discount on refunding bonds issued	-	-	(31,479)	(31,479)
Payment to refunded bond escrow agent	-	-	(22,114,616)	(22,114,616)
Sale of capital assets	-	-	800,343	800,343
Transfers out	(800,000)	(800,000)	(2,600,000)	(1,800,000)
TOTAL OTHER FINANCING SOURCES (USES)	(800,000)	(800,000)	(1,420,973)	(620,973)
NET CHANGE IN FUND BALANCE				
	(2,040,481)	(2,040,481)	(405,104)	1,635,377
FUND BALANCE AT BEGINNING OF YEAR				
	7,765,232	7,765,232	7,765,232	-
FUND BALANCE AT END OF YEAR				
	\$ 5,724,751	\$ 5,724,751	\$ 7,360,128	\$ 1,635,377

See note to the budgetary comparison schedule.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021

NOTE A - BUDGETARY DATA

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

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

Excess of Expenditures Over Appropriations in Individual Funds

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

Budgetary Compliance

The District's only legally adopted budget is for the general fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2021. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability (asset)	<u>0.1632%</u>	<u>0.1577%</u>	<u>0.1600%</u>	<u>0.1624%</u>	<u>0.1785%</u>	<u>0.1881%</u>	<u>0.1822%</u>	<u>0.1790%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 80,358,000</u>	<u>\$ 73,776,000</u>	<u>\$ 76,808,000</u>	<u>\$ 80,207,000</u>	<u>88,459,000</u>	<u>\$ 81,476,000</u>	<u>\$ 72,116,000</u>	<u>\$ 73,276,000</u>
School District's covered payroll	<u>\$ 22,893,919</u>	<u>\$ 21,745,380</u>	<u>\$ 21,539,833</u>	<u>\$ 21,622,376</u>	<u>23,120,823</u>	<u>\$ 24,200,200</u>	<u>\$ 23,254,594</u>	<u>\$ 22,972,654</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>351.00%</u>	<u>339.27%</u>	<u>356.59%</u>	<u>370.94%</u>	<u>382.59%</u>	<u>336.67%</u>	<u>310.12%</u>	<u>318.97%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>	<u>57.24%</u>	<u>54.50%</u>

NOTES TO SCHEDULE

This District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

DANIEL BOONE AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 7,470,000	\$ 7,521,112	\$ 8,259,045	\$ 6,791,085	\$ 6,282,206	\$ 5,824,359	\$ 4,979,892	\$ 3,752,440	\$ 2,712,322	\$ 1,840,370
Contributions in relation to the contractually required contribution	<u>7,470,000</u>	<u>7,521,112</u>	<u>8,259,045</u>	<u>6,791,085</u>	<u>6,282,206</u>	<u>5,824,359</u>	<u>4,979,892</u>	<u>3,752,440</u>	<u>2,712,322</u>	<u>1,840,370</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>								
School District's covered payroll	\$ <u>22,291,853</u>	\$ <u>22,893,919</u>	\$ <u>21,745,380</u>	\$ <u>21,539,833</u>	\$ <u>21,622,376</u>	\$ <u>23,120,823</u>	\$ <u>24,200,200</u>	\$ <u>23,254,594</u>	\$ <u>22,972,654</u>	
Contributions as a percentage of covered payroll	<u>33.51%</u>	<u>32.85%</u>	<u>37.98%</u>	<u>31.53%</u>	<u>29.05%</u>	<u>25.19%</u>	<u>20.58%</u>	<u>16.14%</u>	<u>11.81%</u>	

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

DANIEL BOONE AREA SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY
LAST FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	<u>0.1631%</u>	<u>0.1577%</u>	<u>0.1600%</u>	<u>0.1624%</u>	<u>0.1785%</u>
School District's proportionate share of the net OPEB liability	<u>\$ 3,524,000</u>	<u>\$ 3,354,000</u>	<u>\$ 3,336,000</u>	<u>\$ 3,309,000</u>	<u>\$ 3,845,000</u>
School District's covered payroll	<u>\$ 22,893,919</u>	<u>\$ 21,745,380</u>	<u>\$ 21,539,833</u>	<u>\$ 21,622,376</u>	<u>\$ 23,120,823</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>15.39%</u>	<u>15.42%</u>	<u>15.49%</u>	<u>15.30%</u>	<u>16.63%</u>
The plan's fiduciary net position as a percentage of the total OPEB liability	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>	<u>5.47%</u>

NOTES TO SCHEDULE

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, 2017, 2016).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER
POSTEMPLOYMENT BENEFIT PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 183,000	\$ 189,381	\$ 184,815	\$ 177,587	\$ 178,570	\$ 195,698	\$ 218,629	\$ 218,111	\$ 202,834	\$ 149,530
Contributions in relation to the contractually required contribution	<u>183,000</u>	<u>189,381</u>	<u>184,815</u>	<u>210,000</u>	<u>178,570</u>	<u>195,698</u>	<u>218,629</u>	<u>218,111</u>	<u>202,834</u>	<u>149,530</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>								
School District's covered payroll	\$ <u>22,291,853</u>	\$ <u>22,893,919</u>	\$ <u>21,745,380</u>	\$ <u>21,539,833</u>	\$ <u>21,622,376</u>	\$ <u>23,120,823</u>	\$ <u>24,200,200</u>	\$ <u>23,254,594</u>	\$ <u>22,972,654</u>	
Contributions as a percentage of covered payroll	<u>0.82%</u>	<u>0.83%</u>	<u>0.85%</u>	<u>0.85%</u>	<u>0.83%</u>	<u>0.85%</u>	<u>0.90%</u>	<u>0.85%</u>	<u>0.88%</u>	

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 242,296	\$ 247,308	\$ 273,439	\$ 257,993
Interest	138,866	119,100	130,997	92,912
Differences between expected and actual experience	(638,601)	-	(375,080)	-
Changes of assumptions	424,664	(119,299)	(84,015)	201,786
Benefit payments	<u>(110,843)</u>	<u>(99,863)</u>	<u>(117,181)</u>	<u>(110,939)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	56,382	147,246	(171,840)	441,752
TOTAL OPEB LIABILITY, BEGINNING	<u>3,950,666</u>	<u>3,803,420</u>	<u>3,975,260</u>	<u>3,533,508</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 4,007,048</u>	<u>\$ 3,950,666</u>	<u>\$ 3,803,420</u>	<u>\$ 3,975,260</u>
COVERED PAYROLL	<u>\$ 21,367,632</u>	<u>\$ 22,172,170</u>	<u>\$ 22,172,170</u>	<u>\$ 23,930,882</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>18.75%</u>	<u>17.82%</u>	<u>17.15%</u>	<u>16.61%</u>

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2020 measurement date are as follows:

- The discount rate changed from 3.36% to 1.86%. The trend and coverage election assumptions were updated. The percentage of eligible Support Staff electing coverage at retirement was lowered to 45%.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Daniel Boone Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Daniel Boone Area School District's basic financial statements, and have issued our report thereon dated December 2, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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



Limerick, Pennsylvania
December 2, 2021

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Daniel Boone Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Daniel Boone Area School District's major federal programs for the year ended June 30, 2021. Daniel Boone Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Daniel Boone Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (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 Daniel Boone Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of School Directors
Daniel Boone Area School District
Birdsboro, Pennsylvania

Opinion on Each Major Federal Program

In our opinion, the Daniel Boone Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Purpose of this Report

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.



Limerick, Pennsylvania
December 2, 2021

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Grantor Pass-Through Number	Grant Period	Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2021
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education									
Title I - Grants to Local Educational Agencies	84.010	013-200113	September 3, 2019 to September 30, 2020	\$ 352,208	\$ 135,444	\$ 119,578	\$ 15,866	\$ 15,866	\$ -
Title I - Grants to Local Educational Agencies	84.010	013-210113	September 3, 2020 to September 30, 2021	386,070	327,695	-	315,026	315,026	(12,669)
Total AL 84.010					463,139	119,578	330,892	330,892	(12,669)
Title II - Improving Teacher Quality State Grant	84.367	020-210113	September 3, 2019 to September 30, 2020	78,038	-	(396)	926	926	530
Title II - Improving Teacher Quality State Grant	84.367	020-210113	September 3, 2020 to September 30, 2021	84,589	84,838	-	83,935	83,935	(903)
Title IIA - Teachers in the Workplace	84.367	220-200113	November 19, 2019 to September 30, 2020	25,000	-	(4,545)	4,545	4,545	-
Title IIA - Teachers in the Workplace	84.367	220-200113	November 19, 2020 to September 30, 2021	25,000	20,455	-	22,281	22,281	1,826
Total AL 84.367					105,293	(4,941)	111,687	111,687	1,453
Title IV - Student Support and Academic Enrichment Program	84.424	144-200113	September 3, 2019 to September 30, 2020	26,819	16,504	15,849	-	-	(655)
Title IV - Student Support and Academic Enrichment Program	84.424	144-210113	September 3, 2020 to September 30, 2021	26,711	16,438	-	1,542	1,542	(14,896)
Total AL 84.424					32,942	15,849	1,542	1,542	(15,551)
Governor's Emergency Education Relief	84.425C	254 200113	March 13, 2020 to September 30, 2021	48,679	7,686	-	47,748	47,748	40,062
Elementary and Secondary School Emergency Relief	84.425D	200 200113	March 13, 2020 to September 30, 2021	289,284	289,284	-	245,476	245,476	(43,808)
Elementary and Secondary School Emergency Relief	84.425D	200 210113	March 13, 2020 to September 30, 2021	1,425,635	132,846	-	-	-	(132,846)
Elementary and Secondary School Emergency Relief	84.425D	2020-ES-01-35543	January 1, 2021 to September 30, 2022	95,313	-	-	91,979	91,979	91,979
Passed through Berks County									
Elementary and Secondary School Emergency Relief	84.425D	CGA 236562-20	July 1, 2020 to June 30, 2021	100,000	100,000	-	100,000	100,000	-
Total AL 84.425					529,816	-	485,203	485,203	(44,613)
TOTAL FORWARD					\$ 1,131,190	\$ 130,486	\$ 929,324	\$ 929,324	\$ (71,380)

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Grantor Pass-Through Number	Grant Period	Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	
U.S. DEPARTMENT OF EDUCATION										
TOTAL FORWARDED					\$ 1,131,190	\$ 130,486	\$ 929,324	\$ 929,324	\$ (71,380)	
Passed through the Pennsylvania Department of Education										
COVID-19 SECIM					\$ 22,559	7,520	-	15,228	15,228	7,708
	84.027	252-200113	July 1, 2020 to September 30, 2021							
Passed through the Bucks County Intermediate Unit #22										
IDEA - Special Education Grants to States					554,138	31,807	31,807	-	-	-
	84.027	N/A	July 1, 2019 to June 30, 2020							
IDEA - Special Education Grants to States					542,672	433,428	-	542,672	542,672	109,244
	84.027	N/A	July 1, 2020 to June 30, 2021							
Passed through the Lancaster-Lebonon Intermediate Unit #13										
IDEA - Section 619 Special Education Preschool Grants					15,000	15,000	15,000	-	-	-
	84.027	062-20-0033	July 1, 2019 to June 30, 2020							
IDEA - Section 619 Special Education Preschool Grants					11,037	-	-	11,037	11,037	11,037
	84.027	062-20-0033	July 1, 2020 to June 30, 2021							
Total AL 84.027					487,755	46,807	568,937	568,937	127,989	
Passed through the Bucks County Intermediate Unit #22										
IDEA - Special Education Preschool Grants					4,500	4,500	-	-	-	(4,500)
	84.173	N/A	July 1, 2019 to June 30, 2020							
IDEA - Special Education Preschool Grants					9,660	-	-	9,660	9,660	9,660
	84.173	N/A	July 1, 2020 to June 30, 2021							
Total AL 84.173					4,500	-	9,660	9,660	5,160	
TOTAL SPECIAL EDUCATION CLUSTER					492,255	46,807	578,597	578,597	133,149	
TOTAL U.S. DEPARTMENT OF EDUCATION					1,623,445	177,293	1,507,921	1,507,921	61,769	
U.S. DEPARTMENT OF TREASURY										
Passed through the Pennsylvania Commission on Crime & Delinquency										
Covid-19 School Health and Safety Grant #33963					253,007	253,007	207,869	45,138	45,138	-
	21.019	2020-CS-01-33963	March 1, 2020 to October 30, 2020							
TOTAL U.S. DEPARTMENT OF TREASURY					\$ 253,007	\$ 207,869	\$ 45,138	\$ 45,138	\$ -	

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	AL Number	Grantor Pass-Through Number	Grant Period	Program or Award Amount	Total Received	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2021
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the Pennsylvania Department of Education									
School Breakfast Program	10.553	N/A	July 1, 2019 to June 30, 2020	\$ N/A	\$ 14,538	\$ 14,538	\$ -	\$ -	\$ -
School Breakfast Program	10.553	N/A	July 1, 2020 to June 30, 2021	N/A	146,907	-	159,120	159,120	12,213
Total AL 10.553					161,445	14,538	159,120	159,120	12,213
National School Lunch Program	10.555	N/A	July 1, 2019 to June 30, 2020	N/A	23,304	23,304	-	-	-
National School Lunch Program	10.555	N/A	July 1, 2020 to June 30, 2021	N/A	587,270	-	606,394	606,394	19,124
Subtotal AL 10.555					610,574	23,304	606,394	606,394	19,124
Passed through the Pennsylvania Department of Agriculture									
National School Lunch Program	10.555	N/A	July 1, 2020 to June 30, 2021	N/A	68,528 (A)	- (B)	68,528 (C)	68,528	- (D)
Subtotal AL 10.555					68,528	-	68,528	68,528	-
Total AL 10.555					679,102	23,304	674,922	674,922	19,124
TOTAL CHILD NUTRITION CLUSTER					840,547	37,842	834,042	834,042	31,337
TOTAL U.S. DEPARTMENT OF AGRICULTURE					840,547	37,842	834,042	834,042	31,337
U.S. DEPARTMENT OF HOMELAND SECURITY									
FEMA Grant	99.999			41,793	-	-	41,793	41,793	41,793
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through the Pennsylvania Department of Human Services									
Medical Assistance Program	93.778	N/A	July 1, 2019 to June 30, 2020	N/A	2,194	2,194	-	-	-
Medical Assistance Program	93.778	N/A	July 1, 2020 to June 30, 2021	N/A	44,448	-	42,135	42,135	(2,313)
Total AL 93.778					46,642	2,194	42,135	42,135	(2,313)
TOTAL MEDICAID CLUSTER					46,642	2,194	42,135	42,135	(2,313)
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					46,642	2,194	42,135	42,135	(2,313)
TOTAL FEDERAL AWARDS					\$ 2,763,641	\$ 425,198	\$ 2,471,029	\$ 2,471,029	\$ 132,586

Footnotes:
(A) U.S.D.A. donated foods received.
(B) Beginning inventory at July 1, 2020.
(C) Total value of foods used.
(D) Ending inventory at June 30, 2021.

See accompanying notes to the schedule of expenditures of federal awards.

DANIEL BOONE AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Daniel Boone Area School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Daniel Boone Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Daniel Boone Area School District. The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Daniel Boone Area School District. Federal awards passed through other government agencies are included on the schedule.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE C - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the De Minimis rate for indirect costs.

NOTE D - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2021, was \$42,135.

NOTE E - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Circular: **No**

Identification of major programs:

Program	CFDA
Child Nutrition Cluster	10.553 and 10.555
Title I Grants to Local Educational Agencies	84.010

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **No**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

DANIEL BOONE AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

**2020-001 ACCOUNT RECONCILIATIONS/MATERIAL ADJUSTMENTS POSTED AS A RESULT
OF THE AUDIT - MATERIAL WEAKNESS**

Criteria: Generally accepted accounting principles indicate that the “identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity’s internal control” should be regarded as a material weakness in internal controls.

Condition: Certain account reconciliations were not performed prior to the audit. Material audit adjustments were proposed during the audit, and recorded to properly reflect material accounts on the financial statements and bring the financial statements into compliance with reporting under U.S. generally accepted accounting principles.

Effect: As a result of the account reconciliations and other monitoring activities not being performed prior to the audit, the financial statements were materially misstated at year end prior to the audit. Information used by management throughout the year for certain financial decisions was not always accurate.

Recommendation: The business office should accurately reconcile all accounts to the accounting general ledger. The CFO should supervise and be responsible for making sure the account reconciliations are done in accordance with the District’s policies.

Benefit: Performing regular account reconciliations will result in the financial statements being accurate and in compliance with reporting standards. The District will be able to rely on the information generated by the business office, and management decisions can be made on the basis of that information.

Current Status of Corrective Action Plan: This finding was rectified in the current year.