

**Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928**

**Single Audit Report as required
by the Uniform Guidance**

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

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List of Report Distribution

January 26, 2022

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Board Members:

Not later than thirty days after receipt of the audit report, Conemaugh Township Area School District must distribute the audit report as follows:

One (1) copy to: Commonwealth of Pennsylvania -
Bureau of Audits
(submitted electronically)

One (1) copy to: Single Audit Clearinghouse
(submitted electronically)

Sincerely,

Kotzan CPA & Associates, P.C.

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

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 Conemaugh Township 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 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 includes 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Conemaugh Township 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 – GASB Statement No. 84, *Fiduciary Activities*

As discussed in Note 22 to the financial statements, Conemaugh Township Area School District implemented GASB Statement No. 84, *Fiduciary Activities* effective July 1, 2020. Implementation resulted in a restatement of net position of the fiduciary activities effective July 1, 2020. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restatement of Prior Year

As discussed in Note 22 to the financial statements, Conemaugh Township Area School District restated the fund balance and net position of the general fund and governmental activities, respectively, to correct for an understatement of intergovernmental receivables. The restatement affects both the fund financial statements and the government-wide financial statements. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

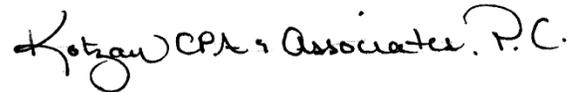
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and OPEB information, and budgetary comparison information on pages 6-14, pages 58-60, and pages 61-62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants 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 awards and certain state grants 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 January 26, 2022 on our consideration of Conemaugh Township 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Conemaugh Township Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conemaugh Township Area School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." in a cursive, flowing script.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 26, 2022

Management's Discussion and Analysis

Conemaugh Township Area School District

2020-2021

This Management's Discussion and Analysis (MD & A) offers an overview of the Conemaugh Township Area School District's (CTASD) financial performance during the fiscal year July 1, 2020-June 30, 2021. It should be read in conjunction with the financial statements, which follow. Comparative data from fiscal year 2019-2020 is required and is included in this report.

FINANCIAL STATEMENTS

Financial Statements have been audited by Kotzan CPA & Associates, P.C. and prepared in accordance with GASB Statement No. 34, presenting both entity-wide and fund-type reports using both the accrual and modified accrual basis of accounting respectively.

GASB # 34 REPORTING

Every effort has been made to ensure this report is easy-to-read and understandable to all citizens of the Conemaugh Township Area School District and other interested parties. Questions and comments regarding the included information may be obtained either in person or by mail by contacting: Mrs. Gina Rembold, Business Manager, 300 W. Campus Avenue, Davidsville, PA 15928; Phone (814) 479-7431 or email regina.rembold@ctasd.org. The remainder of the report contains information included in the fiscal year 2020-2021 Annual Financial Report (PDE form 2057) and local auditor's report. Comparative data for 2019-2020 vs. 2010-2021 is included in the following report.

Government-wide Statements

The government-wide statements report information about the District as a whole using the accrual method of accounting. Net assets include all of the district's assets and liabilities. Current year revenues and expenditures are included in the statement of activity regardless of when paid or received. This approach allows school districts to account for assets and liabilities more like a "for-profit" business would, making comparisons easier and more consistent.

The financial well-being of the District can be more easily assessed using the net assets report, or the overall difference between assets and liabilities. The following reports only show the District's financial stability and do not address the overall success or failure of the District. Determining if the District is providing a quality education to its students while maintaining financial stability is much more difficult and involves many non-financial factors not included in this analysis. It is important to keep in mind, as these reports are reviewed, financial statements, although very important, are only one part of the overall operation of the District.

The government-wide statements are divided into two categories:

1. **Government Activities** - Includes all basic activities, such as education, administration, transportation, capital projects and athletics.
2. **Business-Type Activities** - Food Service Department. Fees and charges to staff and students help support the cost of operation.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Fund Financial Statements

Fund financial statements provide information about the significant funds, *not the district as a whole*.

Governmental Funds - Governmental funds encompass most of the District's activities. Government fund statements present a detailed, short-term financial view of the District on a modified accrual basis.

Proprietary Funds - Proprietary funds are more like a business-type activity. The District Food Service Fund is a proprietary fund in that money is collected through fees and charges and supports the expenses of the fund.

Fiduciary Funds - Funds where the District is a custodian or trustee. The District cannot use these funds for any operational expenditure. The Student Activities Fund represents the District's fiduciary fund.

FINANCIAL HIGHLIGHTS

The Conemaugh Township Area School District's general fund posted revenues of \$15,104,691 and expenditures of \$14,583,484. The difference resulted in a surplus of revenues over expenditures in the amount of \$521,207. Conemaugh Township Area School District's general fund maintains a healthy fund balance of \$6,232,610 at June 30, 2021. These amounts are reflected in the fund financial statements (modified accrual basis).

Property taxes were not increased in 2019-2020 or 2020-2021 and remain at 27.96 mills.

During the 2013-2014 fiscal year the District issued the Series of 2014 General Obligation Bonds in the amount of \$4,095,000 to fund various capital improvements in the District and to refund the District's 2006 lease agreement with the Bank of America. The balance outstanding at June 30, 2021 was \$360,000. During the 2018-2019 fiscal year the District issued the Series of 2019 General Obligation Bonds in the amount of \$10,000,000 to refund the Series of 2012 and a portion of the Series of 2014, and to fund capital projects. The balance outstanding on the Series of 2019 General Obligation Bonds at June 30, 2021 was \$9,515,000.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Entity-Wide Financial Analysis

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2021, as compared to June 30, 2020.

Table 1
Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total School District		Change
	2021	2020	2021	2020	2021	2020	2020-21
Assets							
Current assets	\$ 10,372,616	\$ 9,996,395 *	\$ 205,409	\$ 80,328	\$ 10,578,025	\$ 10,076,723 *	\$ 501,302
Capital assets	16,680,567	17,498,201	179,693	140,310	16,860,260	17,638,511	(778,251)
Total assets	<u>\$ 27,053,183</u>	<u>\$ 27,494,596</u>	<u>\$ 385,102</u>	<u>\$ 220,638</u>	<u>\$ 27,438,285</u>	<u>\$ 27,715,234</u>	<u>\$ (276,949)</u>
Deferred Outflows of Resources	<u>\$ 3,411,971</u>	<u>\$ 2,671,669</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,411,971</u>	<u>\$ 2,671,669</u>	<u>\$ 740,302</u>
Liabilities							
Current liabilities	\$ 2,107,112	\$ 2,010,338	\$ 72,200	\$ 45,140	\$ 2,179,312	\$ 2,055,478	\$ 123,834
Long-term liabilities	33,091,528	32,305,560	33,770	34,727	33,125,298	32,340,287	785,011
Total liabilities	<u>\$ 35,198,640</u>	<u>\$ 34,315,898</u>	<u>\$ 105,970</u>	<u>\$ 79,867</u>	<u>\$ 35,304,610</u>	<u>\$ 34,395,765</u>	<u>\$ 908,845</u>
Deferred Inflows of Resources	<u>\$ 1,101,000</u>	<u>\$ 1,739,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,101,000</u>	<u>\$ 1,739,000</u>	<u>\$ (638,000)</u>
Net Position							
Invested in capital assets, net of related debt	\$ 6,889,414	\$ 7,297,246	\$ 179,693	\$ 140,310	\$ 7,069,107	\$ 7,437,556	\$ (368,449)
Restricted	1,323,180	1,592,445	0	0	1,323,180	1,592,445	(269,265)
Unrestricted	<u>(14,047,080)</u>	<u>(14,778,324) *</u>	<u>99,439</u>	<u>461</u>	<u>(13,947,641)</u>	<u>(14,777,863) *</u>	<u>830,222</u>
Total net position	<u>\$ (5,834,486)</u>	<u>\$ (5,888,633)</u>	<u>\$ 279,132</u>	<u>\$ 140,771</u>	<u>\$ (5,555,354)</u>	<u>\$ (5,747,862)</u>	<u>\$ 192,508</u>

* Restated - See Note 22 to the financial statements.

Current assets are largely comprised of cash and investments. Capital assets represent land, construction in progress, buildings, and equipment less accumulated depreciation. Current liabilities primarily include accrued salaries and wages as well as the current portion of long-term debt. Long-term debt is comprised of the compensated absences liability, the OPEB liability, net pension liability, and the Series 2014 and Series 2019 Bonds.

The District recognized numerous significant fluctuations reflected above, including the increases in current assets, deferred outflows of resources, current and long-term liabilities, and total net position; and the decreases in capital assets and deferred inflows of resources.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Table 2 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2021 compared to the year ended June 30, 2020.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total School District		Variance
	2021	2020	2021	2020	2021	2020	2020-21
Program Revenues:							
Charges for services	\$ 14,398	\$ 34,971	\$ 62,058	\$ 164,356	\$ 76,456	\$ 199,327	\$ (122,871)
Operating grants and contributions	3,853,307	3,672,292 *	793,558	414,828	4,646,865	4,087,120 *	559,745
Capital grants and contributions	111,910	80,205	61,344	0	173,254	80,205	93,049
General Revenues:							
Taxes levied	3,960,501	3,817,231	0	0	3,960,501	3,817,231	143,270
Grants and entitlements	7,117,458	7,117,428	0	0	7,117,458	7,117,428	30
Investment earnings	71,844	141,412	510	474	72,354	141,886	(69,532)
Other	5,564	7,815	0	(695)	5,564	7,120	(1,556)
Transfers	0	(114,230)	0	114,230	0	0	0
Total Revenues	<u>15,134,982</u>	<u>14,757,124</u>	<u>917,470</u>	<u>693,193</u>	<u>16,052,452</u>	<u>15,450,317</u>	<u>602,135</u>
Program Expenses:							
Instruction	9,076,321	8,595,611	0	0	9,076,321	8,595,611	480,710
Support services							
Instructional student support	1,003,629	970,038	0	0	1,003,629	970,038	33,591
Administrative and financial support services	2,110,145	2,038,710	0	0	2,110,145	2,038,710	71,435
Operation and maintenance	1,392,489	1,394,549	0	0	1,392,489	1,394,549	(2,060)
Pupil transportation	724,069	793,642	0	0	724,069	793,642	(69,573)
Student activities	490,603	492,320	0	0	490,603	492,320	(1,717)
Community services	1,400	1,400	0	0	1,400	1,400	0
Interest on long-term debt	282,179	302,611	0	0	282,179	302,611	(20,432)
Food service	0	0	779,109	681,210	779,109	681,210	97,899
Total Expenses	<u>15,080,835</u>	<u>14,588,881</u>	<u>779,109</u>	<u>681,210</u>	<u>15,859,944</u>	<u>15,270,091</u>	<u>589,853</u>
Increase (Decrease) in net position	<u>\$ 54,147</u>	<u>\$ 168,243 *</u>	<u>\$ 138,361</u>	<u>\$ 11,983</u>	<u>\$ 192,508</u>	<u>\$ 180,226 *</u>	<u>\$ 12,282</u>

*Restated – See Note 22 to the financial statements.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

The Change in Net Position across funds in 2020-2021 was an increase of \$192,508.

Revenues of the governmental activities increased over \$375,000 in 2020-21 compared to the previous year, primarily due to additional federal funding received in response to the COVID-19 pandemic. The District's food service revenue, excluding transfers, increased \$338,507 over prior year, while expenses increased \$97,899. The food service fund also received additional governmental funding in fiscal year 2020-21 to support continued operations through the pandemic.

Despite rising costs, the District continued to offer free breakfast to all students, grades K-12. After the onset of the COVID-19 pandemic in March 2020, all meals were reimbursed through government subsidies at no charge to the recipient. This practice continued for the entire fiscal year 2021.

The previous table shows the cost of program services and the charges for services and grants offsetting those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues and unrestricted state entitlements.

Table 3
Net Revenue/Expenses

	Total Cost of Services <u>2021</u>	Net Cost of Services <u>2021</u>	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>
Program Expenses				
Governmental Activities:				
Instruction	\$ 9,076,321	\$6,017,842	\$ 8,595,611	\$5,726,888
Instructional student support	1,003,629	928,423	970,038	906,114
Administration	2,110,145	2,082,331	2,038,710	2,018,907
Maintenance	1,392,489	1,190,870	1,394,549	1,245,894
Pupil transportation	724,069	149,100	793,642	187,519
Student activities	490,603	449,375	492,320	432,082
Community services	1,400	1,100	1,400	1,040
Interest and fiscal charges	282,179	282,179	302,611	302,611
Net program expenses	<u>\$15,080,835</u>	11,101,220	<u>\$14,588,881</u>	10,821,055
Less: Unrestricted state entitlements		<u>(7,117,458)</u>		<u>(7,117,428)</u>
Total governmental activities		<u>\$3,983,762</u>		<u>\$3,703,627</u>
Business-type activities:				
Food service	<u>\$ 779,109</u>	<u>\$ 137,851</u>	<u>\$ 681,210</u>	<u>\$ 102,026</u>

Governmental Activities

Total net cost of services was considerably more at the end of June 2021 as the District was face-to-face with students for most of the school year.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Business-Type Activities

Due to COVID-19, food services were curtailed in 2019-20. The District delivered food to families in the District, however, the cost was not as high as it would have been had we continued with a face-to-face educational model. During 2020-21, Food Services was much more of a traditional operation, only missing 18 school days due to COVID.

FUND FINANCIAL ANALYSIS

General Fund Revenues

The Conemaugh Township Area School District derived its revenue from three main sources; local effort, state subsidy and reimbursements, and federal funding. State funding continued to be the largest revenue source for Conemaugh Township Area School District in 2020-2021. State subsidies and/or reimbursements accounted for 68% of the total revenue received in 2020-2021 (\$10,260,642); 28% (\$4,287,572) was local effort, consisting largely of real estate tax collections; 4% (\$539,226) represented the federal share which was primarily Title grants, Elementary and Secondary School Emergency Relief (ESSER) funds, and Medical ACCESS reimbursements. The remainder (0.1%) was "other revenues", representing insurance recoveries.

2020-2021

Function/Description	Budgeted	Actual	Variance
6000-Local Revenues	\$ 4,294,260	\$ 4,287,572	\$ (6,688)
7000-State Revenues	10,267,022	10,260,642	(6,380)
8000-Federal Revenues	263,400	539,226	275,826
9000-Other Revenues	0	17,251	17,251
Totals	\$ 14,824,682	\$ 15,104,691	\$ 280,009

2020-2021 Differences from Budgeted to Actual

Local

- Very little deviation from budgeted to actual largely due to the stable tax rate and tax base in the District. Estimated budget numbers are based on historical collections. Value of a mill increased slightly.

State

- State revenue is only slightly lower than budgeted.

Federal

- Additional ACCESS money was reimbursed to the District and COVID-19 funding.

Other

- The District received money from insurance proceeds resulting from wind-damaged roofs at both buildings. Offsetting expenses were charged to the 2600 function. These are one-time revenues.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

General Fund Expenditures

CTASD expenditures during 2020-2021 totaled \$14,583,484. A breakdown of expenditures is illustrated in the table below.

Function/Description	Budgeted	Actual	Variance
1100-Regular Education	\$ 6,319,574	\$ 6,497,784	\$ (178,210)
1200-Special Education	2,137,107	1,619,991	517,116
1300-Vocational Education	364,150	388,119	(23,969)
1400-Other Education	87,006	63,515	23,491
1500-Nonpublic School Programs	5,000	6,608	(1,608)
2100-Pupil Services	621,794	598,969	22,825
2200-Media Services	374,816	354,594	20,222
2300-Administration	1,125,026	1,109,527	15,499
2400-Health Services	334,877	304,409	30,468
2500-Business Office	446,240	438,501	7,739
2600-Maintenance	1,310,082	1,197,630	112,452
2700-Transportation	755,914	673,699	82,215
2800/2900-IU Programs	242,560	139,966	102,594
3000-Extracurricular Activities	584,345	470,132	114,213
4000-Construction	0	21,319	(21,319)
5000-Financing / Transfers	778,722	698,721	80,001
Totals - rounded	\$ 15,487,213	\$ 14,583,484	\$ 903,729

2020-2021 Differences from Budgeted to Actual

- Costs were lower than budgeted due to changing placements for special education and bringing MDS and Life Skills students back to the District. We experienced less transportation (2700) costs and extracurricular costs as competitions and events were cancelled in response to COVID. Field trips and other travel was curtailed for most of the year.

General Fund Expenditure Comparative Data 2019-2020 vs. 2020-2021

An illustrative comparative chart below shows the overall expenditures from 2019-2020 vs. 2020-2021.

Fiscal Year	Category-1000	Category-2000	Category-3000	Category-4000	Category-5000
2019-2020	\$ 8,171,709	\$ 4,914,971	\$ 470,259	\$ 1,555	\$ 1,268,611
2020-2021	\$ 8,576,017	\$ 4,817,295	\$ 470,132	\$ 21,319	\$ 698,721
Difference	\$ 404,308	\$ (97,676)	\$ (127)	\$ 19,764	\$ (569,890)

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Fund Financials Comparative Data 2020-2021

CTASD's fund balance exceeded the State's recommendation of between 8-12%. By maintaining a significant fund balance, the District is able to cover all payrolls and bills for several months when a state budget stalemate or an emergency exists. The District was able to earn over \$60,000 in interest by investing the fund balance money throughout the school year which equates to nearly a mil of taxes.

During the 20-21 school year, the District's fund balance increased by approximately \$520,000.

Capital Assets

The following table illustrates changes in capital assets, net of depreciation, by asset type.

Capital Assets - Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2021	2020	2021	2020	2021	2020	
Land	\$ 46,560	\$ 46,560	\$ 0	\$ 0	\$ 46,560	\$ 46,560	0.0%
Site improvements	1,498,299	1,648,968	0	0	1,498,299	1,648,968	-9.1%
Buildings	14,178,247	14,889,619	0	0	14,178,247	14,889,619	-4.8%
Construction in progress	21,319	0	55,278	0	76,597	0	#DIV/0!
Equipment and furniture	<u>936,142</u>	<u>913,054</u>	<u>124,415</u>	<u>140,310</u>	<u>1,060,557</u>	<u>1,053,364</u>	0.7%
Total	<u>\$16,680,567</u>	<u>\$ 17,498,201</u>	<u>\$179,693</u>	<u>\$140,310</u>	<u>\$16,860,260</u>	<u>\$ 17,638,511</u>	-4.4%

The decrease in capital assets of the governmental activities reflects depreciation expense exceeding capital outlays in fiscal year 2021. Capital assets of the business-type activities increased in fiscal year 2021, reflecting capital outlays exceeding depreciation expense.

Debt

The following table illustrates a condensed summary of outstanding long-term debt, including percentage change.

Outstanding Long-Term Debt

	Total School District		Total Percentage Change 2020-2021
	2021	2020	
Other general obligation debt	9,875,000	\$10,290,000	-4.0%

Total debt includes funding the Elementary School renovations and additions as well as debt to fund a High School renovation project and retire previous energy saving project debt. Additional funds were used for the ADA and security upgrades, including a secured entrance, to the High School building. The District refinanced bonds during 2019.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Act 72/Act 1 of 2006

The Board of Directors took no action on Act 72 which signified that the District opted out of Act 72. Act 1 of 2006, a revamped Act 72, with many of the same provisions was approved by the State in June 2006.

Final Notes:

The Board and Administration of the Conemaugh Township Area School District encourages the citizens and taxpayers of the District to review this document in conjunction with other financial resources that are available, including the Pennsylvania Department of Education's website at www.pde.state.pa.us and the CTASD website at www.ctasd.org. The District's website contains a wealth of information about the District, its staff, students, Board, and financial status.

Lastly, when reviewing this data included in this report, it is important to note that the financial condition of the District, while very important, is not the only indicator of a successful school district and must be considered only as one piece of the complex picture that makes up the Conemaugh Township Area School District. When looking at 2019-2020 in particular it is very important to note that COVID-19 had a huge financial impact on the District and its day-to-day operations. As we entered into 2020-2021 we are experiencing much higher cyber charter school tuition and other cyber school tuition. Because of the virtual learning model that we are utilizing, as necessary, based on Department of Health (DOH) recommendations, we have no way of estimating what the final impact will be financially for the District. As guidance from PDE and the DOH changes almost daily, it is more important than ever to maintain our fund balance and smooth out budgetary spikes as they occur.

BASIC FINANCIAL STATEMENTS

Conemaugh Township Area School District
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and equivalents	\$ 8,334,940	\$ 93,428	\$ 8,428,368
Taxes receivable	1,263,159	0	1,263,159
Intergovernmental receivables	708,424	48,380	756,804
Other receivables	16,093	0	16,093
Inventories	50,000	63,601	113,601
Total current assets	10,372,616	205,409	10,578,025
Noncurrent assets:			
Land	46,560	0	46,560
Construction in progress	21,319	55,278	76,597
Depreciable capital assets, net	16,612,688	124,415	16,737,103
Total noncurrent assets	16,680,567	179,693	16,860,260
Total assets	27,053,183	385,102	27,438,285
Deferred Outflows of Resources			
Defined benefit pension plan	3,181,528	0	3,181,528
Other post-employment benefits (OPEB)	230,443	0	230,443
Total deferred outflows of resources	3,411,971	0	3,411,971
Total assets and deferred outflows of resources	\$ 30,465,154	\$ 385,102	\$ 30,850,256

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Intergovernmental payables	\$ 46,358	\$ 0	\$ 46,358
Accounts payable	76,540	11,089	87,629
Accrued salaries and benefits	917,275	0	917,275
Payroll deductions and withholdings	590,281	0	590,281
Accrued interest payable	25,215	0	25,215
Current portion of long-term obligations	443,320	2,385	445,705
Unearned revenues	8,123	58,676	66,799
Other current liabilities	0	50	50
Total current liabilities	2,107,112	72,200	2,179,312
Noncurrent liabilities:			
Bonds payable, net	9,366,153	0	9,366,153
Long-term portion of compensated absences	230,375	33,770	264,145
Net other post-employment benefits (OPEB)	2,618,000	0	2,618,000
Net pension liability	20,877,000	0	20,877,000
Total noncurrent liabilities	33,091,528	33,770	33,125,298
Total liabilities	35,198,640	105,970	35,304,610
Deferred Inflows of Resources			
Defined benefit pension plan	1,006,000	0	1,006,000
Other post-employment benefits (OPEB)	95,000	0	95,000
Total deferred inflows of resources	1,101,000	0	1,101,000
Net Position			
Invested in capital assets, net of debt	6,889,414	179,693	7,069,107
Restricted for capital projects	1,323,180	0	1,323,180
Unrestricted	(14,047,080)	99,439	(13,947,641)
Total net position	(5,834,486)	279,132	(5,555,354)
Total liabilities, deferred inflows of resources and net position	\$ 30,465,154	\$ 385,102	\$ 30,850,256

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Activities
For the Year Ended June 30, 2021

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 9,076,321	\$ 0	\$ 3,058,479	\$ 0	\$ (6,017,842)	\$ 0	\$ (6,017,842)
Instructional student support	1,003,629	0	75,206	0	(928,423)	0	(928,423)
Administration and financial support services	2,110,145	0	27,814	0	(2,082,331)	0	(2,082,331)
Operations and maintenance of plant services	1,392,489	0	89,709	111,910	(1,190,870)	0	(1,190,870)
Pupil transportation	724,069	0	574,969	0	(149,100)	0	(149,100)
Student activities	490,603	14,098	27,130	0	(449,375)	0	(449,375)
Community services	1,400	300	0	0	(1,100)	0	(1,100)
Interest on long-term debt	282,179	0	0	0	(282,179)	0	(282,179)
Total governmental activities	15,080,835	14,398	3,853,307	111,910	(11,101,220)	0	(11,101,220)
Business-Type Activities:							
Food service	779,109	62,058	793,558	61,344	0	137,851	137,851
Total primary government	<u>\$ 15,859,944</u>	<u>\$ 76,456</u>	<u>\$ 4,646,865</u>	<u>\$ 173,254</u>	<u>(11,101,220)</u>	<u>137,851</u>	<u>(10,963,369)</u>
General Revenues:							
Taxes levied					3,960,501	0	3,960,501
Grants, subsidies and contributions, not restricted					7,117,458	0	7,117,458
Investment earnings					71,844	510	72,354
Miscellaneous					5,564	0	5,564
Total general revenues					<u>11,155,367</u>	<u>510</u>	<u>11,155,877</u>
Change in net position					54,147	138,361	192,508
Net position, beginning of year, restated					<u>(5,888,633)</u>	<u>140,771</u>	<u>(5,747,862)</u>
Net position, end of year					<u>\$ (5,834,486)</u>	<u>\$ 279,132</u>	<u>\$ (5,555,354)</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Major Fund Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 6,973,187	\$ 1,361,753	\$ 8,334,940
Taxes receivable	1,263,159	0	1,263,159
Due from other governments	708,424	0	708,424
Other receivables	16,093	0	16,093
Inventories	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total assets	9,010,863	1,361,753	10,372,616
Deferred Outflows of Resources			
	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 9,010,863</u>	<u>\$ 1,361,753</u>	<u>\$ 10,372,616</u>
Liabilities			
Due to other governments	\$ 46,358	\$ 0	\$ 46,358
Accounts payable	37,967	38,573	76,540
Accrued salaries and benefits	917,275	0	917,275
Payroll deductions and withholdings	590,281	0	590,281
Unearned revenue	<u>8,123</u>	<u>0</u>	<u>8,123</u>
Total liabilities	<u>1,600,004</u>	<u>38,573</u>	<u>1,638,577</u>
Deferred Inflows of Resources			
Delinquent taxes receivable	<u>1,178,249</u>	<u>0</u>	<u>1,178,249</u>
Total deferred inflows of resources	<u>1,178,249</u>	<u>0</u>	<u>1,178,249</u>
Fund Balance			
Nonspendable	50,000	0	50,000
Restricted	0	1,323,180	1,323,180
Unassigned	<u>6,182,610</u>	<u>0</u>	<u>6,182,610</u>
Total fund balance	<u>6,232,610</u>	<u>1,323,180</u>	<u>7,555,790</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,010,863</u>	<u>\$ 1,361,753</u>	<u>\$ 10,372,616</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2021**

Total fund balance – governmental funds \$7,555,790

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of assets is \$36,243,353 and the accumulated depreciation is \$19,562,786. 16,680,567

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore, are recorded as deferred inflows of resources in the funds. 1,178,249

Long-term liabilities 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	\$ (9,875,000)	
Unamortized bond discounts	83,847	
Accrued interest payable	(25,215)	
Compensated absences	(248,695)	
OPEB obligation	(2,618,000)	
Net pension liability	<u>(20,877,000)</u>	(33,560,063)

Deferred inflows and outflows of resources related to pensions and other post-employment benefit plans (OPEB) are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	\$ 3,181,528	
Deferred inflows related to pensions	(1,006,000)	
Deferred outflows related to OPEB	230,443	
Deferred inflows related to OPEB	<u>(95,000)</u>	<u>2,310,971</u>

Total net position of governmental activities \$(5,834,486)

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Major Fund Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 4,287,572	\$ 6,848	\$ 4,294,420
State sources	10,260,642	0	10,260,642
Federal sources	<u>539,226</u>	<u>0</u>	<u>539,226</u>
Total revenues	<u>15,087,440</u>	<u>6,848</u>	<u>15,094,288</u>
Expenditures			
Instruction	8,576,017	0	8,576,017
Support services	4,817,295	0	4,817,295
Non-instructional services	470,132	0	470,132
Capital outlay	21,319	276,113	297,432
Debt service (principal and interest)	<u>698,721</u>	<u>0</u>	<u>698,721</u>
Total expenditures	<u>14,583,484</u>	<u>276,113</u>	<u>14,859,597</u>
Excess of revenues over (under) expenditures	<u>503,956</u>	<u>(269,265)</u>	<u>234,691</u>
Other financing sources (uses)			
Insurance recoveries	<u>17,251</u>	<u>0</u>	<u>17,251</u>
Total other financing sources (uses)	<u>17,251</u>	<u>0</u>	<u>17,251</u>
Net change in fund balance	521,207	(269,265)	251,942
Fund balance, beginning of year, restated	<u>5,711,403</u>	<u>1,592,445</u>	<u>7,303,848</u>
Fund balance, end of year	<u>\$ 6,232,610</u>	<u>\$ 1,323,180</u>	<u>\$ 7,555,790</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 To the Statement of Activities
 For the Year Ended June 30, 2021**

Total net change in fund balance – governmental funds \$ 251,942

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$ 210,332	
Depreciation expense	<u>(1,027,966)</u>	(817,634)

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. Deferred inflows of resources from tax revenues increased by this amount this year. 36,103

Interest on long-term debt is recognized in the governmental funds when it is due. In the statement of activities, interest expense is recognized as interest accrues. The liability for accrued interest expense decreased by this amount this year. 1,542

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amounts earned. The liability for compensated absences increased by this amount this year. (15,910)

Governmental funds report district pension contributions as expenditures in the year required to be made. However, pension expense, which is the change in net pension liability, adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

District pension contributions	\$ 2,020,528	
Pension expense	<u>(1,840,916)</u>	179,612

Governmental funds report District payments for other post-employment benefits (OPEB) in the year such benefits are used. However, OPEB expense, which is the change in the net OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the statement of activities.

District OPEB benefit payments	\$ 195,443	
OPEB expense	<u>(186,753)</u>	8,690

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2021

The principal payments on long-term debt consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position. Further, the effect of bond discounts and premiums are reported in the funds in the year of issue but are deferred and amortized in the statement of activities. The effect is shown below:

Bond principal payments	\$ 415,000	
Amortization of bond discounts	<u>(5,198)</u>	<u>409,802</u>
 Change in net position of governmental activities		 <u>\$ 54,147</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Net Position
Proprietary Fund
June 30, 2021

	<u>Food Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 93,428
Intergovernmental receivables	48,380
Inventory	63,601
Total current assets	205,409
Noncurrent assets:	
Construction in progress	55,278
Furniture and equipment, net	124,415
Total noncurrent assets	179,693
Total assets	385,102
Deferred Outflows of Resources	
	0
Total assets and deferred outflows of resources	\$ 385,102
Liabilities	
Current liabilities:	
Accounts payable	\$ 11,089
Unearned revenue	58,676
Current portion of compensated absences	2,385
Other current liabilities	50
Total current liabilities	72,200
Noncurrent liabilities:	
Long-term portion of compensated absences	33,770
Total noncurrent liabilities	33,770
Total liabilities	105,970
Deferred Inflows of Resources	
	0
Net Position	
Invested in capital assets	179,693
Unrestricted	99,439
Total net position	279,132
Total liabilities, deferred inflows of resources and net position	\$ 385,102

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Food Service</u>
Operating revenues	
Food service revenue	\$ 62,058
Total operating revenues	<u>62,058</u>
Operating expenses	
Salaries	235,900
Employee benefits	163,199
Purchased property services	2,269
Other purchased services	23
Supplies	360,873
Depreciation	15,895
Dues and fees	950
Total operating expenses	<u>779,109</u>
Operating income (loss)	<u>(717,051)</u>
Nonoperating revenues (expenses)	
Earnings on investments	510
Contributions from private sources	20,000
State sources	73,792
Federal sources	699,766
Total nonoperating revenues (expenses)	<u>794,068</u>
Income (loss) before contributions and transfers	<u>77,017</u>
Contributions and transfers	
Capital contributions	<u>61,344</u>
Change in net position	138,361
Total net position, beginning of year	<u>140,771</u>
Total net position, end of year	<u>\$ 279,132</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Food Service</u>
Cash flows from operating activities	
Cash received from users	\$ 65,867
Cash payments to employees for services	(235,957)
Cash payments to suppliers for goods and services	(518,782)
Net cash provided by (used for) operating activities	(688,872)
Cash flows from non-capital financing activities	
Local sources	20,000
State sources	73,641
Federal sources	685,828
Net cash provided by (used for) non-capital financing activities	779,469
Cash flows from investing activities	
Earnings on investments	510
Net cash provided by (used for) investing activities	510
Net increase (decrease) in cash and cash equivalents	91,107
Cash and cash equivalents, beginning of year	2,321
Cash and cash equivalents, end of year	\$ 93,428
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (717,051)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	15,895
Non-cash transfer in (supplies)	6,066
(Increase) decrease in inventories	(8,623)
Increase (decrease) in accounts payable	11,089
Increase (decrease) in accrued salaries/benefits	(57)
Increase (decrease) in unearned revenue	3,809
Total adjustments	28,179
Net cash provided by (used for) operating activities	\$ (688,872)
Non-cash Transactions	
Capital assets financed by capital projects fund	\$ 55,278

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 64,870
Total assets	64,870
Deferred Outflows of Resources	0
Total assets and deferred outflows of resources	\$ 64,870
Liabilities	\$ 0
Total liabilities	0
Deferred Inflows of Resources	0
Net Position	
Restricted for student organizations	64,870
Total net position	64,870
Total liabilities, deferred inflows of resources, and net position	\$ 64,870

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021**

	Custodial Fund
Additions:	
Gifts and contributions	\$ 2,841
Interest income	672
Fundraising	75,344
Total additions	78,857
 Deductions:	
Events and supplies	72,701
Total deductions	72,701
Change in net position	6,156
Net position, beginning of year, restated	58,714
Net position, end of year	\$ 64,870

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021

1. Description of School District and Reporting Entity

The Conemaugh Township Area School District is a Local Education Agency of the third class, governed by a nine-member publicly elected board, located in the Commonwealth of Pennsylvania. The District has approximately 1,020 enrolled students and operates two school buildings, including an elementary school (grades K-5) and a middle/senior high school (grades 6-12). The District also participates in a local area vocational/technical school with various other districts.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Conemaugh Township Area School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization; or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

2. Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of these accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods and services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – Accounts for financial resources restricted for the acquisition, construction, renovation, and deferred maintenance of major capital facilities or equipment, and for debt service.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the School District's major enterprise fund:

Food Service Fund – This fund accounts for the financial transactions related to the food service operation of the School District.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The custodial funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type. The School District's custodial fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2M, and deferred inflows/outflows of resources in Note 2N.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

Conemaugh Township Area School District
Notes to Financial Statements
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The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2021.

Fund balances in Budgetary Funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract, or other form of commitment, an encumbrance is recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

F. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

Inventories in governmental funds are stated at cost by the first-in, first-out method and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories (\$50,000) is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund is the only governmental fund that has material inventory balances as of June 30, 2021.

**Conemaugh Township Area School District
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A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2021. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2021 are reported as unearned revenue.

I. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of fifteen hundred dollars (\$1,500). The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 20 years
Site Improvements	15 - 30 years

J. Original Issue Discounts

Bond discounts are reported as direct adjustments to the face amount of the bond and are deferred and amortized over the life of the bond using the straight-line method of amortization.

K. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are determined to be collectible, and no allowance has been established.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

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L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Unearned Revenues

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

N. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred outflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred outflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

No deferred outflows of resources affect the fund financial statements in the current year.

Deferred Inflows of Resources

The District’s statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The deferred inflows of resources reported on the District’s statement of net position include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred inflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred inflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

In the District’s governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021

not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$1,178,249).

O. Fund Balance Classification

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – amounts that are in nonspendable form (such as inventory or prepaid items) or are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2021, fund balance components, other than unassigned, consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>
General Fund:		
Inventory	\$ 50,000	\$ 0
Capital Projects Fund	0	1,323,180
Total	\$ 50,000	\$ 1,323,180

The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance may be established by the Business Manager and/or Superintendent, as delegated by the School Board.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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P. Net Position

Net position represents the assets and deferred outflows of resources, net of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists 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. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of net position reports \$1,323,180 of restricted net position, which is restricted by enabling legislation for capital projects.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Multi-Employer Benefit Plans

Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing, multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

Other Post-Employment Benefits (OPEB)

The Public School Employees Retirement System (PSERS) provides a health insurance premium assistance program, which is a governmental cost-sharing, multiple employer OPEB plan for all eligible District retirees who qualify and elect to participate. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net OPEB liability. The Standard further requires the District to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows and inflows of resources related to OPEB.

For purposes of measuring the aforementioned net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

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Notes to Financial Statements
June 30, 2021

3. Cash and Cash Equivalents

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

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 or 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 is pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments, including school districts, have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Code and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to school districts at this time.

The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include demand deposits at local financial institutions, in addition to cash on hand of \$200. The market values of deposits are equal to the cost of the deposits.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021**

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the District’s deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2021, \$8,325,806 of the District’s bank balance of \$8,575,806 was exposed to custodial risk as:

Collateralized with securities held by the pledging financial institution	\$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	8,325,806
Total	\$ 8,325,806

Reconciliation to Financial Statements

Uninsured amount above	\$ 8,325,806
Plus: Insured amount	250,000
Less: Outstanding checks	(82,768)
Carrying amount - bank balances	8,493,038
Plus: Petty cash	200
Total cash per financial statements	\$ 8,493,238

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Borough of Benson and the Townships of Conemaugh and West Paint. The tax on real estate for public school purposes for fiscal 2021 was 27.96 mills (\$27.96 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property (\$106,145,152) are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 - September 30	- 2% Discount Period
October 1 - November 30	- Face Payment Period
December 1 - December 31	- 10% Penalty Period
January 15	- Lien Date

5. Taxes Receivable

The elected tax collectors are required to return any uncollected taxes to the county’s tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2021 is \$1,263,159. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance recorded as a deferred inflow of resources in the fund financial statements.

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Uncollected taxes for the year ended June 30, 2021:

Realty Transfer Tax	\$ 4,387
Delinquent Real Estate	68,788
Earned Income Taxes	10,041
Occupation Taxes	<u>1,694</u>
Uncollected Taxes Recognized as Revenue (received within 60 days)	84,910
Real Estate Taxes - Deferred Inflow of Resources	<u>1,178,249</u>
Total Taxes Receivable	<u><u>\$ 1,263,159</u></u>

6. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenues of \$8,123 in the General Fund represent unexpended grant funds. Unearned revenues of \$58,676 in the Proprietary Fund represent credits on student cafeteria accounts (\$8,076) and donated commodities inventory on hand (\$50,600) at June 30, 2021.

7. Due From Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2021, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Federal	\$ 89,103	\$ 47,295
State	619,321	1,085
Local	<u>0</u>	<u>0</u>
	<u><u>\$ 708,424</u></u>	<u><u>\$ 48,380</u></u>

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2021

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Transfers/ Deductions	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 46,560	\$ 0	\$ 0	\$ 46,560
Construction in progress	0	21,319	0	21,319
Total capital assets, not being depreciated	<u>46,560</u>	<u>21,319</u>	<u>0</u>	<u>67,879</u>
Capital assets, being depreciated:				
Buildings and improvements	27,239,762	0	0	27,239,762
Furniture and equipment	4,483,745	183,186	0	4,666,931
Site improvements	4,262,954	5,827	0	4,268,781
Total capital assets, being depreciated	<u>35,986,461</u>	<u>189,013</u>	<u>0</u>	<u>36,175,474</u>
Less accumulated depreciation:				
Buildings and improvements	12,350,143	711,372	0	13,061,515
Furniture and equipment	3,570,691	160,098	0	3,730,789
Site improvements	2,613,986	156,496	0	2,770,482
Total accumulated depreciation	<u>18,534,820</u>	<u>1,027,966</u>	<u>0</u>	<u>19,562,786</u>
Total capital assets, being depreciated, net	<u>17,451,641</u>	<u>(838,953)</u>	<u>0</u>	<u>16,612,688</u>
Governmental activities capital assets, net	<u>\$ 17,498,201</u>	<u>\$ (817,634)</u>	<u>\$ 0</u>	<u>\$ 16,680,567</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 0	\$ 55,278	\$ 0	\$ 55,278
Total capital assets, not being depreciated	<u>0</u>	<u>55,278</u>	<u>0</u>	<u>55,278</u>
Capital assets, being depreciated:				
Equipment	533,188	0	0	\$ 533,188
Total capital assets, being depreciated	<u>533,188</u>	<u>0</u>	<u>0</u>	<u>533,188</u>
Less accumulated depreciation:				
Equipment	392,878	15,895	0	408,773
Total accumulated depreciation	<u>392,878</u>	<u>15,895</u>	<u>0</u>	<u>408,773</u>
Total capital assets, being depreciated, net	<u>140,310</u>	<u>(15,895)</u>	<u>0</u>	<u>124,415</u>
Business-type activities capital assets, net	<u>\$ 140,310</u>	<u>\$ 39,383</u>	<u>\$ 0</u>	<u>\$ 179,693</u>

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

Governmental Activities:

Instruction	\$ 635,283
Instruction support	69,902
Administration and finance	148,027
Operation and maintenance of plant	97,657
Pupil transportation	50,370
Student activities	<u>26,727</u>
Total depreciation expense - governmental activities	<u>\$ 1,027,966</u>

9. Defined Benefit Pension Plan

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee’s Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees’ Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member’s accumulated contribution upon termination of a member’s employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.psers.pa.gov.

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

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 became new members on or after July 1, 2011.

Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination 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 upon membership class, of the member’s final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member’s right to the

Conemaugh Township Area School District
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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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members who qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. A member's right to a defined benefit is vested in 10 years.

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.

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

Member Contributions:

Active members who joined PSERS 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 PSERS 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 PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

**Conemaugh Township Area School District
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June 30, 2021**

Members who joined PSERS after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% base rate) of the member’s qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions:

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District’s contractually required contribution rate, 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. For the fiscal year ended June 30, 2021, the rate of the employer’s contribution was 34.51 percent of covered payroll. The 34.51 percent rate is composed of a pension contribution rate of 33.51 percent for pension defined benefits, 0.82 percent for healthcare insurance premium assistance, and 0.18 percent for the Act 5 defined contribution plan. Conemaugh Township Area School District’s contributions to PSERS for the year ending June 30, 2021 were \$2,080,825. These contributions include \$10,854 to the defined contribution plan for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$20,877,000 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 PSERS’ total pension liability as of June 30, 2019 to June 30, 2020. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District’s proportion was 0.0424%, which was an increase of 0.0003% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,840,916. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 55,000	\$ 500,000
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	917,000	0
Changes in proportions	189,000	506,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	2,020,528	0
	\$ 3,181,528	\$ 1,006,000

Conemaugh Township Area School District
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\$2,020,528, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net 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 the pension expense as follows:

Year Ended June 30:	
2022	\$ (321,000)
2023	(104,000)
2024	307,000
2025	273,000
2026	0
Thereafter	0
	<u>\$ 155,000</u>

Actuarial Assumptions

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

- The Investment Rate of Return was 7.25%.
- The inflation assumption was 2.75%.
- Salary growth at an 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 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 experience study that was performed for the five-year period ending June 30, 2015.

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

The pension 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.

**Conemaugh Township Area School District
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<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)	<u>-14.0%</u>	-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 pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$ 25,830,000	\$ 20,877,000	\$ 16,682,000

Pension Plan Fiduciary Net Position

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

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11. Post-employment Benefit Plans – PSERS Health Insurance Premium Assistance Program

Plan Description

PSERS 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 PSERS 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.

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.

Employer Contributions

The school district's contractually required 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 \$49,443 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 \$916,000 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 PSERS' 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, 2020, the District's proportion was 0.0424%, which was an increase of 0.0003% over its proportion measured as of June 30, 2019.

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For the year ended June 30, 2021, the District recognized OPEB expense of \$40,753. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,000	\$ 0
Changes in assumptions	37,000	20,000
Net difference between projected and actual investment earnings	2,000	0
Changes in proportions	14,000	38,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	49,443	0
	\$ 110,443	\$ 58,000

\$49,443 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:

Year Ended June 30,	
2022	\$ (2,000)
2023	(2,000)
2024	(2,000)
2025	2,000
2026	2,000
Thereafter	5,000
	\$ 3,000

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020 was determined by rolling forward PSERS' 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 of Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**Conemaugh Township Area School District
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- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

The actuarial assumptions used in the June 30, 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables of Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	-1.00%
US Core Fixed Income	46.5%	-0.10%
Non-US Developed Fixed	3.2%	-0.10%
	100.0%	

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.

**Conemaugh Township Area School District
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Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 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%
District's proportionate share of the net OPEB liability	\$ 1,045,000	\$ 916,000	\$ 810,000

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

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

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 916,000	\$ 916,000	\$ 916,000

OPEB Plan Fiduciary Net Position

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

12. Post-employment Benefit Plan – District Specific Plan

Plan Description

The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the “Plan”) that is used to provide continuation of medical and pharmacy benefits to employees who retire from the District, in addition to a retirement cash bonus (\$1,500 plus \$50 for each year of service). Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

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Eligibility

- A. Teachers and Administrators:
 - a) Healthcare
 - i) District incentive – 30 years of PSERS service, including at least 15 years with the District, and PSERS retirement eligibility
 - ii) Act 110/43 – if employee does not meet District incentive requirements
 - b) Cash bonus – 15 years of District service and PSERS retirement eligibility
- B. Support Staff:
 - a) Healthcare – Eligibility for Act 110/43
 - b) Cash Bonus – 15 years of District service and PSERS retirement eligibility

Duration of Healthcare Benefits

Teachers and Administrators eligible for District incentive:

Retirees receive coverage until age 65 or qualification for Medicare if earlier. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 or qualification for Medicare if earlier.

Teachers and Administrators eligible for Act 110/43:

Retirees can purchase coverage until the earlier of age 65 or qualification for Medicare. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 or qualification for Medicare if earlier.

Support Staff:

Retirees can purchase coverage until the earlier of age 65 or qualification for Medicare. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 or qualification for Medicare if earlier.

Participant Contributions

- A. Teachers and Administrators:
 - a) Eligible for District Incentive
 - i) Retiree contributes the amount of increases in premium rate post-retirement, subject to the District portion being capped at a maximum
 - ii) Spouse – premium rate
 - b) Eligible under Act 110/43 – premium rate

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B. Support Staff – premium rate

The number of participants as of July 1, 2019, the effective date of the most recent OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	District
Active employees	93
Retired employees	14
Spouses of retired employees	<u>1</u>
Total	<u><u>108</u></u>

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund.

Net OPEB Liability

The District’s net OPEB liability of \$1,702,000 was measured as of June 30, 2020 and was rolled forward using actuarial assumptions to the valuation date of June 30, 2021.

Actuarial Assumptions and Other Inputs

- Discount Rate – 2.16% as of June 30, 2021.
- Healthcare Cost Trend Rates - 6.40% for 2022, decreasing to an ultimate rate of 3.70% by 2076.
- The discount rate was based on the Bond Buyer 20-year Bond GO Index at June 30, 2021.
- Mortality rates are assumed using the RP-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2019 from 2006 base year and projected forward on a generational basis with Scale MP-2019.

Changes in the District’s net OPEB liability for the plan for the fiscal year ended June 30, 2021 was as follows:

Balance at July 1, 2020	\$ 1,715,000
Service cost	88,000
Interest	36,000
Plan changes	0
Liability gains/losses	0
Changes in assumptions	9,000
Benefit payments	<u>(146,000)</u>
Net changes	<u>(13,000)</u>
Balance at June 30, 2021	<u><u>\$ 1,702,000</u></u>

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Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability, calculated using the valuation discount rate of 2.16%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate.

	1% Decrease 1.16%	Current Rate 2.16%	1% Increase 3.16%
District's net OPEB liability	\$ 1,837,000	\$ 1,702,000	\$ 1,574,000

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

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

	1% Decrease	Current Rate	1% Increase
District's net OPEB liability	\$ 1,573,000	\$ 1,702,000	\$ 1,858,000

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$146,000. At June 30, 2021, the District reported deferred outflows and inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,000	\$ 0
Changes in assumptions	91,000	37,000
	\$ 120,000	\$ 37,000

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2022	\$	22,000
2023		22,000
2024		24,000
2025		15,000
2026		0
Thereafter		0
	\$	83,000

Economic/demographic (gains)/losses and assumption changes are recognized over the average remaining service life for all active and inactive members.

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13. Long-Term Obligations

During the fiscal year ended June 30, 2021, general long-term obligations changed as follows:

	Bonds Payable	Compensated Absences	Total General Long-term Obligations
Beginning of year	\$ 10,290,000	\$ 268,997	\$ 10,558,997
Additions	0	0	0
Principal retirement	(415,000)	0	(415,000)
Changes in compensated absences	<u>0</u>	<u>15,853</u>	<u>15,853</u>
End of year	9,875,000	284,850	10,159,850
Less: current portion	(425,000)	(20,705)	(445,705)
Less: Original issue discount, net	<u>(83,847)</u>	<u>0</u>	<u>(83,847)</u>
Long-term liabilities	<u>\$ 9,366,153</u>	<u>\$ 264,145</u>	<u>\$ 9,630,298</u>

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2021, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds		
	Interest	Principal	Total
2022	\$ 274,071	\$ 425,000	\$ 699,071
2023	262,646	440,000	702,646
2024	246,962	490,000	736,962
2025	230,765	515,000	745,765
2026	217,765	525,000	742,765
2027-2031	884,981	2,815,000	3,699,981
2032-2036	467,944	3,175,000	3,642,944
2037-2039	<u>56,572</u>	<u>1,490,000</u>	<u>1,546,572</u>
	<u>\$ 2,641,706</u>	<u>\$ 9,875,000</u>	<u>\$ 12,516,706</u>

General Obligation Bonds, Series of 2019

The District issued General Obligation Bonds, Series of 2019, dated June 4, 2019, in the principal amount of \$10,000,000. The proceeds of the bonds were used to refund the District's General Obligation Bonds, Series of 2012 (\$6,425,000) and a portion of the District's General Obligation Bonds, Series of 2014 (\$2,620,000); fund various capital projects within the District; and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the School District realized as a result of the refunding of the Series of 2012 bonds and the portion of the Series of 2014 bonds is \$259,485. The bonds bear interest rates ranging from 1.80% to 3.10% with annual principal maturities from December 2019 through December 2038. The balance outstanding at June 30, 2021 was \$9,515,000.

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General Obligation Bonds, Series of 2014

The District issued General Obligation Bonds, Series of 2014, dated June 17, 2014, in the principal amount of \$4,095,000. The proceeds of the bonds were used to fund various capital improvements to the facilities of the School District, refund the District's 2006 lease agreement with the Banc of America, and to pay all costs and expenses incurred by the District in connection with the issuance and sale of these bonds. The bonds bear interest rates ranging from 0.37% to 4.00% with annual principal maturities from March 2015 through September 2035. Due to the aforementioned refunding of a portion of the Series of 2014 bonds, the final maturity is September 2024. The balance outstanding at June 30, 2021 was \$360,000.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2021. The School District allows all employees to accumulate their unused sick leave. Upon retirement, eligible employees shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Conemaugh Township Area School District at the rate of \$40 per day for the first 100 days, \$50 per day for days 101-200 and \$60 per day for accumulated unused days in excess of 200. The School District has computed a total liability of \$284,850 at June 30, 2021 with \$248,695 reflected in the general fund and \$36,155 reflected in the proprietary fund. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

14. Operating Leases

The School District entered into a noncancellable operating lease for copiers. Rental expenditures under all operating lease agreements were \$28,744 for fiscal year 2021. Future minimum rental payments required under operating leases that have remaining lease terms as of June 30 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Payment</u>
2022	\$23,560
2023	7,104
2024	3,389
2025	<u>1,628</u>
Total minimum payments required	<u>\$35,681</u>

15. Contingent Liabilities

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

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16. Self Insurance - Medical Insurance

The School District is participating in the insurance consortium with the Greater Johnstown Area Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the school's deposits into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by purchasing stop-loss insurance coverage. Conemaugh Township Area School District's liability at June 30, 2021 for unpaid claims incurred prior to the fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2021 as the District recognizes medical claim expense as claims are paid.

17. Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2021 and the two previous fiscal years, no settlements exceeded insurance coverage.

18. Related Party Transactions

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 8. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Conemaugh Township Area School District for the year ended June 30, 2021 for IU8 programs amounted to \$163,284. At June 30, 2021, the District had a balance due to Appalachia IU8 of \$15,163 for services.

Jointly Governed Organization

The District governs, with several other school districts, the Greater Johnstown Area Vocational-Technical School. Each district is represented on the vo-tech's school board. However, no on-going financial interest or responsibility exists between the School District and the vo-tech. Students of the District have available at the Vocational-Technical School courses and curriculums related to the technical training fields. Costs of the Vocational-Technical School are shared with other local school districts. Conemaugh Township Area School District made direct payments totaling \$388,055 for the current year's operations.

19. Economic Dependency

Conemaugh Township Area School District receives approximately 68% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

Conemaugh Township Area School District
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20. Nonmonetary Transactions

The District receives one of its federal program subsidies by means of noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2021 totaled \$63,944.

21. Risks and Uncertainties

COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, continues to disrupt school district operations, impacting the District's students, employees, and vendors. Conemaugh Township Area School District continues to closely monitor its new sources of government funding and corresponding expenditures that have arisen in response to the pandemic. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including future legislation and funding, as well the duration and spread of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the District's financial position and changes in financial position and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

22. Change in Accounting Principle and Restatement of Net Position and Fund Balance

For the year ended June 30, 2021, the District has implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This statement establishes criteria for identifying fiduciary activities of all state and local governments based primarily on 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. The statement further provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This change in accounting principle resulted in a prior period restatement as discussed in the Student Activities Funds section below.

Student Activities Funds

In accordance with GASB Statement 84, the District's student activities funds, previously reported as an agency fund, now meet the definition of a custodial fund. As this new guidance changes the recognition of liabilities in fiduciary funds, the District restated the net position of the custodial student activities fund effective July 1, 2020 resulting in an increase in net position of \$58,714.

Intergovernmental Receivables

Effective July 1, 2020, the fund balance and net position of the District's general fund and governmental activities, respectively, was restated to correct for an understatement of intergovernmental receivables. This restatement is reflected on both the fund financial statements and the government-wide financial statements, resulting in an increase in fund balance and net position of \$19,642.

**Conemaugh Township Area School District
Required Supplementary Information – Pension Schedules
June 30, 2021**

Schedule of Proportionate Share of the Net Pension Liability

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.0424%	0.0421%	0.0436%	0.0449%	0.0440%	0.0449%	0.0445%	0.0428%
District's proportionate share of net pension liability	\$ 20,877,000	\$ 19,695,000	\$ 20,930,000	\$ 22,175,000	\$ 21,805,000	\$ 19,448,000	\$ 17,614,000	\$ 17,520,000
District's covered-employee payroll*	\$ 5,950,273	\$ 5,800,291	\$ 5,874,285	\$ 5,976,834	\$ 5,698,286	\$ 5,781,388	\$ 5,678,784	\$ 5,498,078
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	350.86%	339.55%	356.30%	371.02%	382.66%	336.39%	310.17%	318.66%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2020 and prior).

Schedule of District Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 2,020,528	\$ 1,975,916	\$ 1,881,569	\$ 1,848,113	\$ 1,714,136	\$ 1,390,531	\$ 1,149,570	\$ 869,154
Contributions in relation to the contractually required contributions	<u>(2,020,528)</u>	<u>(1,975,916)</u>	<u>(1,881,569)</u>	<u>(1,848,113)</u>	<u>(1,714,136)</u>	<u>(1,390,531)</u>	<u>(1,149,570)</u>	<u>(869,154)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>						
Covered-employee payroll	\$ 6,029,628	\$ 5,950,273	\$ 5,800,291	\$ 5,874,285	\$ 5,976,834	\$ 5,698,286	\$ 5,781,388	\$ 5,678,784
Contributions as a percentage of covered-employee payroll	33.51%	33.21%	32.44%	31.46%	28.68%	24.40%	19.88%	15.31%

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Required Supplementary Information-OPEB Schedules
PSERS Health Insurance Premium Assistance Program
June 30, 2021**

Schedule of Proportionate Share of the Net OPEB Liability

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.0424%	0.0421%	0.0436%	0.0449%	0.0440%
District's proportionate share of net OPEB liability	\$ 916,000	\$ 895,000	\$ 909,000	\$ 915,000	\$ 948,000
District's covered-employee payroll*	\$ 5,950,273	\$ 5,800,291	\$ 5,874,285	\$ 5,976,834	\$ 5,698,286
District's proportionate share of net OPEB liability as percentage of its covered-employee payroll	15.39%	15.43%	15.47%	15.31%	16.64%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%	5.47%

*The District's covered employee payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2020 and prior).

Schedule of District Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 49,443	\$ 49,753	\$ 47,905	\$ 48,328	\$ 48,724
Contributions in relation to the contractually required contributions	<u>(49,443)</u>	<u>(49,753)</u>	<u>(47,905)</u>	<u>(48,328)</u>	<u>(48,724)</u>
Contribution deficiency (excess)	<u>\$ 0</u>				
Covered-employee payroll	\$ 6,029,628	\$ 5,950,273	\$ 5,800,291	\$ 5,874,285	\$ 5,976,834
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.83%	0.82%	0.82%

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Required Supplementary Information-OPEB Schedules
District Specific Plan
June 30, 2021**

Schedule of Changes in District's OPEB liability:

	2021	2020	2019	2018
Service cost	\$ 88,000	\$ 86,000	\$ 83,000	\$ 92,000
Interest	36,000	63,000	67,000	61,000
Plan changes	0	(136,000)	0	0
Liability gains/losses	0	39,000	0	0
Changes of assumptions	9,000	(49,000)	87,000	72,000
Benefit payments	(146,000)	(156,000)	(182,000)	(232,000)
Net change in total OPEB liability	(13,000)	(153,000)	55,000	(7,000)
Total OPEB liability - beginning	<u>1,715,000</u>	<u>1,868,000</u>	<u>1,813,000</u>	<u>1,820,000</u>
Total OPEB liability - ending	<u>\$ 1,702,000</u>	<u>\$ 1,715,000</u>	<u>\$ 1,868,000</u>	<u>\$ 1,813,000</u>
Covered payroll	\$ 5,063,109	\$ 4,928,252	\$ 4,641,140	\$ 4,822,021
District's net OPEB liability as a percentage of its covered-employee payroll	33.62%	34.80%	40.25%	37.60%

Note: This schedule is intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements

**Conemaugh Township Area School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 4,294,260	\$ 4,294,260	\$ 4,287,572	\$ (6,688)
State sources	10,267,022	10,267,022	10,260,642	(6,380)
Federal sources	<u>263,400</u>	<u>263,400</u>	<u>539,226</u>	<u>275,826</u>
Total revenues	<u>14,824,682</u>	<u>14,824,682</u>	<u>15,087,440</u>	<u>262,758</u>
Expenditures				
Instruction:				
Regular programs	6,319,574	6,319,574	6,497,784	(178,210)
Special programs	2,137,107	2,137,107	1,619,991	517,116
Vocational education programs	364,150	364,150	388,119	(23,969)
Other instructional programs	87,006	87,006	63,515	23,491
Nonpublic school programs	5,000	5,000	6,608	(1,608)
Support services:				
Pupil personnel	621,794	621,794	598,969	22,825
Instructional staff	374,816	374,816	354,594	20,222
Administration	1,125,026	1,125,026	1,109,527	15,499
Pupil health	334,877	334,877	304,409	30,468
Business	446,240	446,240	438,501	7,739
Operation and maintenance of plant	1,310,082	1,310,082	1,197,630	112,452
Student transportation	755,914	755,914	673,699	82,215
Central	239,260	239,260	136,961	102,299
Other support services	3,300	3,300	3,005	295
Operation of noninstructional services:				
Student activities	582,095	582,095	468,732	113,363
Community services	2,250	2,250	1,400	850
Capital outlay	0	0	21,319	(21,319)
Debt service:				
Principal and interest	<u>698,722</u>	<u>698,722</u>	<u>698,721</u>	<u>1</u>
Total expenditures	<u>15,407,213</u>	<u>15,407,213</u>	<u>14,583,484</u>	<u>823,729</u>
Excess (deficiency) of revenues over expenditures	<u>(582,531)</u>	<u>(582,531)</u>	<u>503,956</u>	<u>1,086,487</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Other financing sources (uses)				
Insurance recoveries	0	0	17,251	17,251
Interfund transfers	(80,000)	(80,000)	0	80,000
Budgetary reserve	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>17,251</u>	<u>197,251</u>
Net change in fund balance	(762,531)	(762,531)	521,207	1,283,738
Fund balance, beginning of year, restated	<u>6,275,929</u>	<u>6,275,929</u>	<u>5,711,403</u>	<u>(564,526)</u>
Fund balance, end of year	<u>\$ 5,513,398</u>	<u>\$ 5,513,398</u>	<u>\$ 6,232,610</u>	<u>\$ 719,212</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2021

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2020	Adjustment	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2021
U.S. DEPARTMENT OF EDUCATION												
Passed through the Pennsylvania Department of Education:												
ECIA Title I - Low Income	I	84.010	013-210094	07/01/20-09/30/21	\$ 146,416	\$ 146,533	\$ 0	\$ (117)	\$ 141,748	\$ 141,748	\$ 0	\$ (4,668)
ECIA Title I - Low Income	I	84.010	013-200094	07/01/19-09/30/20	148,110	0	(1,529)	(1,529)	0	0	0	0
ECIA Title II Improving Teacher Quality	I	84.367	020-210094	07/01/20-09/30/21	25,868	26,263	0	(395)	25,416	25,416	0	(452)
ECIA Title II Improving Teacher Quality	I	84.367	020-200094	07/01/19-09/30/20	25,490	0	(803)	(385)	418	418	0	0
ECIA Title IV Student Support and Academic Enrichment	I	84.424	144-210094	07/01/20-09/30/21	11,226	11,226	0	0	11,219	11,219	0	(7)
Subtotal ECIA Programs passed through Pennsylvania Department of Education					357,110	184,022	(2,332)	(2,426)	178,801	178,801	0	(5,127)
Passed through the Pennsylvania Department of Education:												
Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	200-200094	03/13/20-09/30/21	121,580	121,580	0	0	121,580	121,580	0	0
Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210094	03/13/20-09/30/23	540,354	37,677	0	0	34,680	34,680	0	(2,997)
Passed through Pennsylvania Commission on Crime and Delinquency:												
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	2020-ES-01-35061	03/13/20-09/30/22	24,771	24,250	0	0	24,641	24,641	0	391
Subtotal Elementary and Secondary School Emergency Relief Fund (ESSER)					686,705	183,507	0	0	180,901	180,901	0	(2,606)
Passed through Appalachia Intermediate Unit #08:												
IDEA Part B - Section 611	I	84.027	062-210008	07/01/20-09/30/21	211,868	125,596	0	0	211,868	211,868	0	86,272
IDEA Part B - Section 619	I	84.173	131-210008B	07/01/20-06/30/21	948	948	0	0	948	948	0	0
IDEA Part B - Section 619	I	84.173	131-200008B	07/01/19-06/30/20	996	996	996	0	0	0	0	0
Passed through the Pennsylvania Department of Education:												
COVID-19 SECIM	I	84.027	252-200094	07/01/20-09/30/21	6,340	6,340	0	0	6,340	6,340	0	0
Subtotal Special Education Cluster					220,152	133,880	996	0	219,156	219,156	0	86,272
Total U.S. Department of Education					1,263,967	501,409	(1,336)	(2,426)	578,858	578,858	0	78,539

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2021

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2020	Adjustment	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2021	
<u>U.S. DEPARTMENT OF HOMELAND SECURITY - FEDERAL EMERGENCY MANAGEMENT AGENCY</u>													
Passed through the Pennsylvania Emergency Management Agency:													
COVID-19 Emergency Protection Measures	I	97.036	140840	01/20/20-09/30/21	19,642	19,642	0	(19,642)	0	0	0	0	
Total U.S. Department of Homeland Security					19,642	19,642	0	(19,642)	0	0	0	0	
<u>U.S. DEPARTMENT OF TREASURY</u>													
Passed through the Pennsylvania Commission on Crime and Delinquency:													
Coronavirus Relief Fund	I	21.019	2020-CS-01-33433	03/01/20-10/30/20	157,548	157,548	59,572	0	97,976	97,976	0	0	
Total U.S. Department of Treasury					157,548	157,548	59,572	0	97,976	97,976	0	0	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>													
Passed through the Pennsylvania Department of Human Services:													
Medical Assistance Program - Reimbursement													
SBAP Administration Reimbursement	I	93.778	N/A	07/01/20-06/30/21	N/A	1,948	0	0	4,388	4,388	0	2,440	
SBAP Administration Reimbursement	I	93.778	N/A	07/01/19-06/30/20	N/A	1,848	1,848	0	0	0	0	0	
Total U.S. Department of Health and Human Services						3,796	1,848	0	4,388	4,388	0	2,440	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>													
Passed through the Pennsylvania Department of Agriculture:													
National School Lunch - (USDA Commodities)	I	10.555	N/A	07/01/20-06/30/21	N/A	(a) 63,944	(b) (39,338)	0	52,682	(c) 52,682	0	(d) (50,600)	
Passed through the Pennsylvania Department of Education:													
National School Lunch Federal	I	10.555	N/A	07/01/20-06/30/21	N/A	421,634	13,537	0	447,240	447,240	0	39,143	
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	200,250	8,558	0	199,844	199,844	0	8,152	
Subtotal Child Nutrition Cluster						685,828	(17,243)	0	699,766	699,766	0	(3,305)	
State Matching Funds	S	N/A	N/A	07/01/20-06/30/21	N/A	25,681	934	0	25,832	25,832	0	1,085	
Total U.S. Department of Agriculture						711,509	(16,309)	0	725,598	725,598	0	(2,220)	
TOTAL FINANCIAL ASSISTANCE						<u>\$ 1,441,157</u>	<u>\$ 1,393,904</u>	<u>\$ 43,775</u>	<u>\$ (22,068)</u>	<u>\$ 1,406,820</u>	<u>\$ 1,406,820</u>	<u>\$ 0</u>	<u>\$ 78,759</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2021

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and certain state grants (the Schedule) includes the federal award activity of Conemaugh Township 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 Conemaugh Township Area School District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Conemaugh Township Area School District.

Note B - Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Conemaugh Township Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note C - Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling \$50,600 in inventory.

- (a) Total amount of commodities received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2020.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30, 2021.

Note D - Direct/Indirect Funding

The following source codes reflect program funding:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

**Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2021**

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note E – Reconciliation to Financial Statements

Total Federal Sources reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$	539,226
Less: School Based Access Medical Reimbursement Program		(70,820)
Add: IDEA-B Section 611 passed through, recorded as Local Sources		211,868
Add: IDEA – Section 619 passed through, recorded as Local Sources		<u>948</u>
 Total Federal Expenditures – Governmental Funds		 <u>681,222</u>
 Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds		 <u>699,766</u>
 Total Federal Expenditures – Proprietary Fund		 <u>699,766</u>
 Total Federal Expenditures		 <u><u>\$1,380,988</u></u>

Note F - Test of 20% Rule (Low-Risk)

Total Expenditures	\$	1,406,820
Less: State’s Share of National School Lunch Program and School Breakfast Program		<u>(25,832)</u>
Total Federal Expenditures		<u>\$1,380,988</u>
Child Nutrition Cluster		<u>\$ 699,766</u>
Tested		<u>\$ 699,766</u>
Total Federal Expenditures		\$1,380,988

= 50.7%

**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***

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Conemaugh Township Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Conemaugh Township Area School District's basic financial statements, and have issued our report thereon dated January 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Conemaugh Township Area School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Conemaugh Township 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.

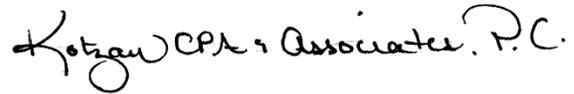
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 26, 2022

**Report on Compliance for Each Major Federal Program and on
Internal Control Over Compliance Required by The Uniform Guidance**

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Report on Compliance for Each Major Federal Program

We have audited Conemaugh Township Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conemaugh Township Area School District's major federal programs for the year ended June 30, 2021. Conemaugh Township 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Conemaugh Township 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 Conemaugh Township 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 of Conemaugh Township Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Conemaugh Township 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.

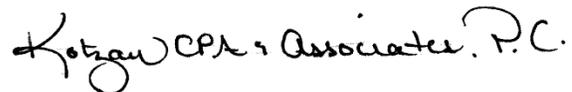
Report on Internal Control Over Compliance

Management of Conemaugh Township 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 Conemaugh Township 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conemaugh Township 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.

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.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 26, 2022

**Conemaugh Township Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency identified not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency identified not considered to be material weakness(es)? _____ Yes X None reported

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)? _____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553; 10.555

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings No Findings

Section III – Federal Award Findings and Questioned Costs No Findings or Questioned Costs