

TROY AREA SCHOOL DISTRICT

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

FISCAL YEAR ENDED JUNE 30, 2021

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TROY AREA SCHOOL DISTRICT

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2021 FINANCIAL STATEMENTS

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TRANSMITTAL LETTER

**Pennsylvania Department of Education
Bureau of Budgets and Fiscal Management
Bureau Director
333 Market Street – 4th Floor
Harrisburg, PA 17126-0333**

Ladies and Gentlemen:

Enclosed you will find the audit package for the **Troy Area School District** for the year ended June 30, 2021.

We have audited the financial statements of the **Troy Area School District** for the year ended June 30, 2021 and have issued our report thereon dated December 7, 2021. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In addition, we have issued a management letter dated December 7, 2021, which is included in the audit package.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 7, 2021**

TROY AREA SCHOOL DISTRICT
SCHEDULE OF REPORT DISTRIBUTION

<u>Agency</u>	<u>No. of Copies</u>
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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Troy Area School District
Troy, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of *Troy 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 *Troy Area School District's* basic financial statements as listed in the accompanying table of contents. We have also audited the fiduciary fund types of the *Troy Area School District* as of June 30, 2021 as displayed in the District's basic financial statements.

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 these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of *Troy Area School District* as of June 30, 2021, and the respective changes in financial position and the respective budgeting comparison of the General Fund and the cash flows of the business-type activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

Troy Area School District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities (GASB 84). As a result of the implementation of GASB 84, the District reported a restatement of the Governmental Activities and Governmental Funds beginning fund balance for the change in accounting principle, as described in Note 1 and 21 to the financial statements. Our opinion is not modified with respect to the restatement.

Report on Summarized Comparative Information

We have previously audited the financial statements of *Troy Area School District* as of June 30, 2020, and our report dated December 1, 2020, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, Schedule of Changes in the District's Net OPEB Liability and Related Ratios - District Plan on page 47, Schedule of Changes in the District's Net OPEB Liability and Related Ratios - PSERS Plan on page 48, Schedule of Districts Contributions – OPEB – District Plan on page 49, Schedule of Districts Contributions – OPEB – PSERS Plan on page 50, Schedule of the District's Proportionate Share of the Net Pension Liability on page 51 and the Schedule of District Contributions – Pension on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **Troy Area School District's** basic financial statements. The supplementary information including the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information including the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021 on our consideration of **Troy Area School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Troy Area School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 7, 2021**

I. Discussion and Analysis

The following is a discussion and analysis of the **Troy Area School District's** financial performance for the year ended June 30, 2021. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the **Troy Area School District** during the fiscal year ended June 30, 2021:

- Overall net position from operations of the District decreased \$148,000 during the fiscal year ended June 30, 2021. This consisted of a decrease in governmental activities in the amount of \$228,000 and an increase in business-type activities \$80,000.
- The District's total revenue increased approximately \$1,221,000 from \$25,935,000 during the year ended June 30, 2020 to \$27,156,000 during the year ended June 30, 2021. This increase is primary related to an increase in the operating grants and subsidy related to Federal COVID-19 funding and an increase in taxes.
- The District's total expenses increased approximately \$1,493,000 from \$25,811,000 during the year ended June 30, 2020 to \$27,304,000 during the year ended June 30, 2021. This increase was primarily related to increases in charter school tuition and technology purchases.
- The District had capital additions during the current fiscal year in the amount of \$1,153,000, which was comprised of \$1,153,000 in the governmental activities and \$0 in the business-type activities. The current year additions were primarily related to a roofing project, technology upgrades, including telephone and pager system, along with purchases of a tractor and other equipment.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of **Troy Area School District**.

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 13) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 14) shows amounts of program-specific and general District revenue used to support the various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including instruction, support services, non-instructional services, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities

The two district-wide statements report the School District's net position and how they have changed. Net Position— the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources — is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

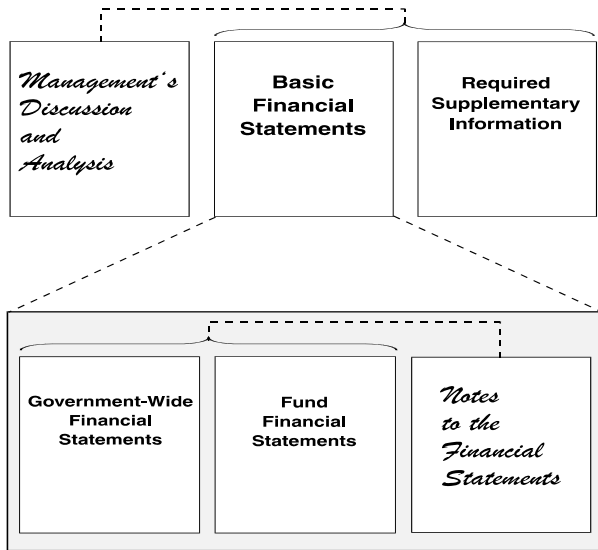
The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Funds used to account for resources held for the benefit of parties outside the District
Required financial statements	Statement of Net Position (Deficit) Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Net Position (Deficit) Statement of Changes in Net Position (Deficit)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources /liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**TROY AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Figure A-2 - Required Components of the District's Annual Financial Report



Summary ← → **Detail**

Figure A-3 – Condensed Statement of Net Position

<i>Troy Area School District</i>									
<i>Condensed Statement of Net Position (in thousands of dollars)</i>									
	Governmental Activities			Business-type Activities			Total		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Assets									
Current and other assets	\$ 11,346	\$ 12,520	-9%	\$ 281	\$ 341	-18%	\$ 11,627	\$ 12,861	-10%
Capital assets	40,452	40,291	0%	57	69	-17%	40,509	40,360	0%
Total assets	<u>51,798</u>	<u>52,811</u>	<u>-2%</u>	<u>338</u>	<u>410</u>	<u>-17%</u>	<u>52,136</u>	<u>53,221</u>	<u>-2%</u>
Deferred Outflows of Resources									
Deferred outflows related to pensions and OPEB	8,310	5,813	43%	-	-	n/a	8,310	5,813	43%
Total assets and deferred outflows of resources	<u>\$ 60,108</u>	<u>\$ 58,624</u>	<u>3%</u>	<u>\$ 338</u>	<u>\$ 410</u>	<u>-17%</u>	<u>\$ 60,446</u>	<u>\$ 59,034</u>	<u>2%</u>
Liabilities									
Other liabilities	\$ 3,411	\$ 3,229	6%	\$ 78	\$ 230	-66%	\$ 3,489	\$ 3,459	1%
Long-term debt outstanding	67,003	64,747	3%	-	-	-	67,003	64,747	3%
Total liabilities	<u>70,414</u>	<u>67,976</u>	<u>4%</u>	<u>78</u>	<u>230</u>	<u>-66%</u>	<u>70,492</u>	<u>68,206</u>	<u>3%</u>
Deferred Inflows of Resources									
Deferred inflows related to pensions and OPEB	2,184	3,041	-28%	-	-	n/a	2,184	3,041	-28%
Total deferred inflows of resources and liabilities	<u>72,598</u>	<u>71,017</u>	<u>2%</u>	<u>78</u>	<u>230</u>	<u>-66%</u>	<u>72,676</u>	<u>71,247</u>	<u>2%</u>
Net Position									
Invested in capital assets, net of related debt	15,055	13,190	14%	57	69	-17%	15,112	13,259	14%
Restricted	1,347	2,098	-36%	-	-	-	1,347	2,098	-36%
Unrestricted									
Unreserved (deficit)	(28,892)	(27,681)	4%	203	111	82%	(28,689)	(27,570)	4%
Total net position (deficit)	<u>(12,490)</u>	<u>(12,393)</u>	<u>1%</u>	<u>260</u>	<u>180</u>	<u>44%</u>	<u>(12,230)</u>	<u>(12,213)</u>	<u>0%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 60,108</u>	<u>\$ 58,624</u>	<u>3%</u>	<u>\$ 338</u>	<u>\$ 410</u>	<u>-18%</u>	<u>\$ 60,446</u>	<u>\$ 59,034</u>	<u>2%</u>

IV. Financial Analysis of the School District as Whole

Net Position

The District's total reporting entity net deficit was approximately \$12,230,000 as of June 30, 2021. The components of net deficit include: net investment in capital assets of \$15,112,000; restricted net position for capital reserve and debt service in the amount of \$1,347,000 and unrestricted net deficit of \$28,689,000.

Changes in Net Position

The District's total government-wide revenue increased by 5% to \$27,156,000. Approximately 32%, 31% and 36% of total revenue is derived from the property taxes, operating grants and state sources, respectively. The remaining 1% comes from federal aid, sale of property, local sources, charges for services and other sources.

The total cost of all programs and services of the District increased 6% to \$27,304,000. The District's expenses cover a range of services, with 60% related to instruction and 32% related to support services.

Figure A-4 – Changes in Net Position from Operating Results

<i>Troy Area School District</i>									
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>									
	Governmental Activities			Business-type activities			Total		
	2021	2020	% Change	2021	2020	% Change	2021	2020	% Change
Revenue									
Program revenue									
Charges for services	\$ 187	\$ 164	14%	\$ 43	\$ 201	-79%	\$ 230	\$ 365	-37%
Operating grants and contributions	7,421	6,474	15%	921	556	66%	8,342	7,030	19%
General revenue									
Taxes	8,771	8,715	1%	-	-	-	8,771	8,715	1%
Interest earned	16	86	-81%	-	-	-	16	86	-81%
Local sources	103	45	129%	-	-	-	103	45	129%
State sources	9,694	9,694	0%	-	-	-	9,694	9,694	0%
Transfers in (out)	-	-	-	-	-	n/a	-	-	-
Total revenue	<u>26,192</u>	<u>25,178</u>	<u>4%</u>	<u>964</u>	<u>757</u>	<u>27%</u>	<u>27,156</u>	<u>25,935</u>	<u>5%</u>
Expenses									
Instruction	16,281	15,385	6%	-	-	-	16,281	15,385	6%
Support services	8,847	8,280	7%	-	-	-	8,847	8,280	7%
Non-instructional services	530	526	1%	-	-	-	530	526	1%
Other uses									
Debt service - interest	762	778	-2%	-	-	-	762	778	-2%
Business-type (food service fund)	-	-	-	884	842	5%	884	842	5%
Total expenses	<u>26,420</u>	<u>24,969</u>	<u>6%</u>	<u>884</u>	<u>842</u>	<u>5%</u>	<u>27,304</u>	<u>25,811</u>	<u>6%</u>
Change in net position	<u>\$ (228)</u>	<u>\$ 209</u>		<u>\$ 80</u>	<u>\$ (85)</u>		<u>\$ (148)</u>	<u>\$ 124</u>	

IV. Financial Analysis of the School District as a Whole (continued)

Figure A-5 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities - Revenue

Revenue of the District's governmental activities increased 4%, while total expenses increased 6%. The District's net position from operations decreased approximately \$228,000 during the fiscal year ended June 30, 2021.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Total revenue of the District was \$26,192,000 for the fiscal year ended June 30, 2021. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 32% of the District's total revenue for governmental activities increased approximately 1% during the year ended June 30, 2021.
- The District's state sources which represent \$9,694,000 or 36% of total governmental revenue decreased approximately 0% in comparison with the prior year.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2021, the District saw an increase in program revenue, which mostly resulted in an increase in operating grants and contributions which increased \$947,000 over prior year revenue and from an increase in charges for services in the amount of \$23,000. The increase in operating grants and contributions was primarily attributed to Federal COVID-19 funding received in the current year.

Governmental Activities - Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; instruction, support services, non-instructional services, debt service and food service; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and Commonwealth of Pennsylvania by each of these functions. Total costs of the District's governmental activities were \$26,420,000.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Expenses (continued)

The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's instruction costs increased by approximately \$896,000 or 6% which was primarily due to an increase in charter school tuition, salaries, health insurance costs, and actuarial calculated pension costs.
- The District's support services costs increased by approximately \$567,000 or 7% during the year ended June 30, 2021 due to an increase in technology purchases which was partially offset by a decrease in salaries.
- Non-instructional costs of the District increased approximately \$4,000 or 1% during the year ended June 30, 2021.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Expenses (continued)

- The District's other financing uses decreased \$16,000.
- For governmental activities, the District received approximately \$7,608,000 of operating grants and charges for services from its state and federal grants which subsidized certain programs of the District.
- Most of the District's net costs (\$18.8 million) were financed by real property taxes and state aid.

Figure A-5 – District-wide Sources of Revenue

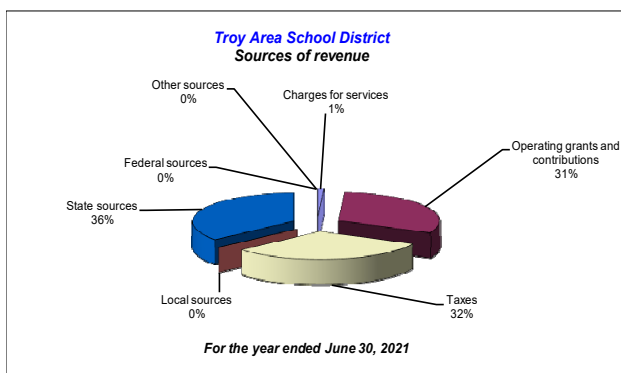


Figure A-6 – District-wide Expenses

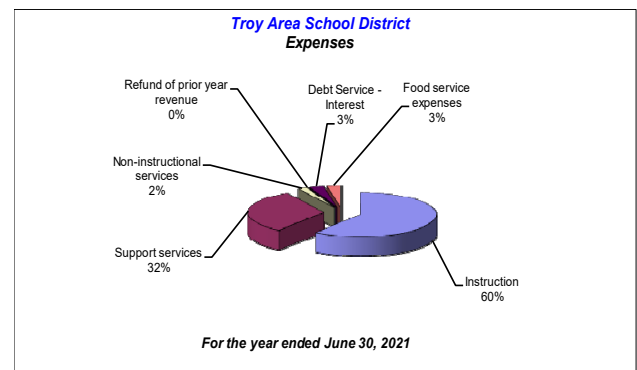


Figure A-7 – Expenditures Supported with Program Revenue

<i>Troy Area School District</i>												
<i>Expenditures supported with program revenue (in thousands of dollars)</i>												
	Governmental Activities				Business-type Activities				Total			
	2021		2020		2021		2020		2021		2020	
Expenditures supported with general revenue (from taxes & other sources)	\$ 18,812	71%	\$ 18,331	73%	\$ (80)	-9%	\$ 85	10%	\$ 18,732	69%	\$ 18,416	71%
Expenditures supported with program revenue	7,608	29%	6,638	27%	964	109%	757	90%	8,572	31%	7,395	29%
Total expenditures related to governmental activities	\$ 26,420	100%	\$ 24,969	100%	\$ 884	100%	\$ 842	100%	\$ 27,304	100%	\$ 25,811	100%

Figure A-8 – Net Cost of Governmental Activities

<i>Troy Area School District</i>									
<i>Net Cost of District-wide expenses (in thousands of dollars)</i>									
	Total cost of services			Net cost of services					
	2021	2020	Change	2021	2020	Change			
Instruction	\$ 16,281	\$ 15,385	\$ 896	\$ 11,321	\$ 11,261	\$ 60			
Support services	8,847	8,280	567	7,000	6,459	541			
Non-instructional services	530	526	4	413	396	17			
Debt service - interest	762	778	(16)	78	216	(138)			
Food service	884	842	42	(80)	84	(164)			
Total	\$ 27,304	\$ 25,811	\$ 1,493	\$ 18,732	\$ 18,416	\$ 316			

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position (Deficit) and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of Net Position (Deficit) are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$645,000.

**V. Financial Analysis of the School District's Funds
(continued)**

General Fund (continued)

- The District's general fund unassigned fund balance equated to approximately \$1,576,000 as of June 30, 2021.
- The District had assigned fund balance as of June 30, 2021 in the amount of approximately \$1,785,000.
- The District had committed fund balance of as of June 30, 2021 in the amount of \$2,912,000.
- The District's total assets decreased approximately \$451,000 while liabilities and deferred inflows of resources increased \$194,000 during the year ended June 30, 2021. The decrease in assets was primarily due to a decrease in cash, which was partially offset by an increase in intergovernmental receivables, while the increase in liabilities was primarily related to an increase in accounts payable and accrued liabilities.
- Total revenue in the District's general fund increased \$1,247,000 which was primarily related to Federal COVID-19 funding received in the current year and an increase in taxes. Total expenditures and other uses increased \$1,436,000, which resulted from increases in charter school tuition and technology purchases.

**V. Financial Analysis of the School District's Funds
(continued)**

Capital Projects Fund

During the current year, the District had expenditures in its capital projects fund in the amount of \$753,340 primarily related to a roofing project.

Capital Reserve Fund

During the current year, the District had expenditures in its capital reserve fund in the amount of \$35,640. These expenditures were related to various construction projects, including the ventilation system, playground equipment and track resurfacing.

Special Revenue Fund

During the current year, the District had revenue and expenditures related to the extracurricular activity. This activity was previously reported as a fiduciary fund.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. After such transfers, the revised budget presents actual expenditures being approximately \$456,000 below the revised budget. The most significant variance was in instruction which was \$65,000, above that budgeted. On the other hand, resources available for appropriations were approximately \$725,000 above the final budgeted amount. Significant variance of revenue items consisted of local and state sources which totaled \$359,000 and \$164,000 above the revised budget.

Figure A-9 – General Fund Budget vs. Actual

<i>Troy Area School District</i>			
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>			
	Revised Budget	Actual	Difference
Revenue			
Local sources	\$ 9,038	\$ 9,397	\$ 359
State sources	15,510	15,674	164
Federal sources	1,097	1,166	69
Other sources	-	133	133
Total revenue	\$ 25,645	\$ 26,370	\$ 725
Expenditures			
Instruction	\$ 15,337	\$ 15,402	\$ (65)
Support services	8,852	8,596	256
Non-instructional services	552	435	117
Other uses	75	-	75
Debt service	2,589	2,546	43
Operating transfers	66	36	30
Total expenditures	\$ 27,471	\$ 27,015	\$ 456

VII. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2021, the District had invested \$40,803,000 in a broad range of capital assets, including reconstruction projects and other equipment. Capital additions made during the year ended June 30, 2021, totaled approximately \$1,153,000 and was primarily due to a roofing project, technology upgrades, including telephone and pager system, along with purchases of a tractor and other equipment.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2021, the District had approximately \$67,004,000 in bonds, capital leases, net pension liability, other post-employment benefits and compensated absences. The overall outstanding balance increased approximately 3% as compared with the previous year. The increase in the other post-employment benefit liabilities are the result of actuarial updates, and the increase in the District's proportionate share of the net pension liability of the State's pension system is a result of an actuarial update. Bonds payable decreased as a result from the District making regularly scheduled principal payments. During the current year, the District also entered into a new capital lease for IT equipment.

Figure A-10 – Capital Assets

<i>Troy Area School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2021	2020	Change
Land and site improvements	\$ 3,172,240	\$ 3,117,394	2%
Building and construction-in-progress	36,416,017	36,444,020	0%
Furniture and equipment	1,182,194	765,893	54%
Transportation vehicles	32,734	32,734	0%
Total Capital Assets, net	\$ 40,803,185	\$ 40,360,041	1%

Figure A-11 – Outstanding Long-term Debt

<i>Troy Area School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2021	2020	Change
Bonds payable	\$ 25,069,282	\$ 26,802,629	-6%
Capital leases	105,832	-	n/a
Net pension liability	34,812,000	33,169,000	5%
Compensated absences	124,576	102,649	21%
Other post employment benefits	6,892,071	4,673,644	47%
Total Long-Term Liabilities	\$ 67,003,761	\$ 64,747,922	3%

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is uncertain as to the ongoing impact in the upcoming years as a result of the Covid-19 Pandemic.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Troy Area School District
Ms. Traci Gilliland, Business Manager
District Administrative Offices
68 Fenner Avenue
Troy, PA 16947

**TROY AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2021**

	2021			2020 Total
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash				
Unrestricted	\$ 7,279,387	\$ 185,865	\$ 7,465,252	\$ 8,147,153
Restricted	1,347,277	-	1,347,277	2,097,715
Receivables				
Taxes, net	835,118	-	835,118	962,880
State and federal aid	1,859,377	39,539	1,898,916	1,301,311
Other receivables	17,457	85	17,542	24,147
Due from other governmental activities	-	29,779	29,779	73,404
Due from fiduciary funds	-	-	-	164,626
Inventories	-	26,039	26,039	52,351
Prepaid expenses	7,089	-	7,089	38,074
Capital assets, net	40,452,352	56,503	40,508,855	40,360,041
Total assets	<u>51,798,057</u>	<u>337,810</u>	<u>52,135,867</u>	<u>53,221,702</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	5,912,375	-	5,912,375	5,414,389
Deferred outflows related to OPEB	2,397,942	-	2,397,942	398,875
Total deferred outflows of resources	<u>8,310,317</u>	<u>-</u>	<u>8,310,317</u>	<u>5,813,264</u>
Total assets and deferred outflows of resources	<u>\$ 60,108,374</u>	<u>\$ 337,810</u>	<u>\$ 60,446,184</u>	<u>\$ 59,034,966</u>
Liabilities				
Current liabilities				
Accounts payable and retainage payable	\$ 521,675	\$ -	\$ 521,675	\$ 411,915
Accrued liabilities	2,523,434	47,208	2,570,642	2,450,547
Accrued interest	275,270	-	275,270	299,117
Due to other governmental activities	-	-	-	139,002
Due to business type activities	29,779	-	29,779	99,028
Unearned revenue	60,603	30,363	90,966	59,280
Long-term liabilities				
Portion due or payable within one year				
Bonds payable	1,770,000	-	1,770,000	1,600,000
Capital leases	27,450	-	27,450	-
Portion due or payable after one year				
Bonds payable, net	23,299,282	-	23,299,282	25,202,629
Capital leases	78,382	-	78,382	-
Net pension liability	34,812,000	-	34,812,000	33,169,000
Compensated absences	124,576	-	124,576	102,649
Other post employment benefits	6,892,071	-	6,892,071	4,673,644
Total liabilities	<u>70,414,522</u>	<u>77,571</u>	<u>70,492,093</u>	<u>68,206,811</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	1,378,000	-	1,378,000	2,139,000
Deferred inflows related to OPEB	806,008	-	806,008	902,525
Total deferred inflows of resources	<u>2,184,008</u>	<u>-</u>	<u>2,184,008</u>	<u>3,041,525</u>
Net Position				
Net investment in capital assets	15,054,964	56,503	15,111,467	13,258,295
Restricted for				
Capital	1,347,277	-	1,347,277	2,097,715
Unrestricted (deficit)	(28,892,397)	203,736	(28,688,661)	(27,569,380)
Total net position (deficit)	<u>(12,490,156)</u>	<u>260,239</u>	<u>(12,229,917)</u>	<u>(12,213,370)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 60,108,374</u>	<u>\$ 337,810</u>	<u>\$ 60,446,184</u>	<u>\$ 59,034,966</u>

**TROY AREA SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	2021							2020
	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Business-Type Activities	Total	Net (Expense) Revenue and Changes in Net Position
Functions/Programs								
Governmental Activities:								
Instruction	\$ 15,652,459	\$ 629,071	\$ 157,330	\$ 4,802,485	\$ (11,321,715)	\$ -	\$ (11,321,715)	\$ (11,260,116)
Instructional student support	2,693,056	121,423	-	374,814	(2,439,665)	-	(2,439,665)	(1,697,338)
Administrative and financial support services	1,792,919	70,903	-	218,521	(1,645,301)	-	(1,645,301)	(1,947,446)
Operation and maintenance of plant services	2,250,317	98,212	18,100	26,606	(2,303,823)	-	(2,303,823)	(2,209,902)
Pupil transportation	1,511,602	60,191	-	1,210,081	(361,712)	-	(361,712)	(367,569)
Central support	248,496	-	-	-	(248,496)	-	(248,496)	(236,423)
Student activities	508,330	12,228	11,388	48,988	(460,182)	-	(460,182)	(441,770)
Community services	9,565	-	-	56,761	47,196	-	47,196	46,159
Refunds of prior year revenue	-	-	-	-	-	-	-	(12)
Debt service	761,501	-	-	683,064	(78,437)	-	(78,437)	(216,085)
Depreciation	992,028	(992,028)	-	-	-	-	-	-
Total governmental activities	26,420,273	-	186,818	7,421,320	(18,812,135)	-	(18,812,135)	(18,330,502)
Business-type activities:								
Food services	883,703	-	43,225	920,713	-	80,235	80,235	(84,353)
Total functions and programs	\$ 27,303,976	\$ -	\$ 230,043	\$ 8,342,033	(18,812,135)	80,235	(18,731,900)	(18,414,855)

General Revenue

Real property taxes, levied for general purposes	7,388,042	-	7,388,042	7,431,506
Other taxes levied	1,382,906	-	1,382,906	1,283,268
Interest earnings	16,472	-	16,472	85,982
Other local sources	103,172	-	103,172	45,437
State sources	9,693,522	-	9,693,522	9,693,777
	<hr/>			
Total general revenue	18,584,114	-	18,584,114	18,539,970
	<hr/>			
Change in net position	(228,021)	80,235	(147,786)	125,115
Net position (deficit) - beginning of year	(12,393,374)	180,004	(12,213,370)	(12,338,485)
Prior period adjustments	131,239	-	131,239	-
	<hr/>			
Net position (deficit) - end of year	\$ (12,490,156)	\$ 260,239	\$ (12,229,917)	\$ (12,213,370)
	<hr/>			

**TROY AREA SCHOOL DISTRICT
COMBINED BALANCE SHEETS – ALL GOVERNMENTAL FUNDS
AS OF JUNE 30,**

	2021			2020	
	General	Capital Reserves	Special Revenue	Total	(Memo only) Total
Assets					
Unrestricted cash and cash equivalents	\$ 7,147,951	\$ -	\$ 113,796	\$ 7,261,747	7,893,042
Restricted cash	-	1,364,917	-	1,364,917	2,133,727
Taxes receivable, net	835,118	-	-	835,118	962,880
Intergovernmental receivables	1,859,377	-	-	1,859,377	1,291,188
Due from other funds	42,188	22,360	334	64,882	164,626
Other receivables	17,457	-	-	17,457	23,815
Prepaid expenses	7,089	-	-	7,089	38,074
Inventories	-	-	-	-	12,549
Total assets	<u>\$ 9,909,180</u>	<u>\$ 1,387,277</u>	<u>\$ 114,130</u>	<u>\$ 11,410,587</u>	<u>\$ 12,519,901</u>
Liabilities, Deferred Inflows of Resources and Fund Equity					
Liabilities					
Accounts payable	\$ 481,675	\$ 40,000	\$ -	\$ 521,675	\$ 411,882
Accrued salaries and benefits	2,521,374	-	-	2,521,374	2,372,235
Payroll deductions and withholdings	2,060	-	-	2,060	30,518
Due to other funds	94,661	-	-	94,661	99,028
Unearned revenue	60,603	-	-	60,603	15,730
Total liabilities	<u>3,160,373</u>	<u>40,000</u>	<u>-</u>	<u>3,200,373</u>	<u>2,929,393</u>
Deferred Inflows of Resources					
Deferred inflows - delinquent real estate taxes	468,596	-	-	468,596	567,280
Fund Equity					
Nonspendable	7,089	-	-	7,089	50,623
Restricted	-	1,347,277	-	1,347,277	2,097,715
Committed	2,912,135	-	114,130	3,026,265	3,524,594
Assigned	1,784,840	-	-	1,784,840	1,990,782
Unassigned	1,576,147	-	-	1,576,147	1,359,514
Total fund equity	<u>6,280,211</u>	<u>1,347,277</u>	<u>114,130</u>	<u>7,741,618</u>	<u>9,023,228</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 9,909,180</u>	<u>\$ 1,387,277</u>	<u>\$ 114,130</u>	<u>\$ 11,410,587</u>	<u>\$ 12,519,901</u>

TROY AREA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
EQUITY - ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30,

	2021				Total	2020
	General	Capital Projects	Capital Reserve	Special Revenue		(Memo only) Total
Revenue						
Local sources	\$ 9,397,519	\$ 151	\$ 2,421	\$ 51,304	\$ 9,451,395	\$ 9,178,103
State sources	15,673,822	-	-	-	15,673,822	15,469,916
Federal sources	1,165,719	-	-	-	1,165,719	484,249
Other sources						
Proceeds from the issuance of capital lease	133,282	-	-	-	133,282	
Interfund transfers	56	-	36,026	-	36,082	25,624
Total revenue and other sources	<u>26,370,398</u>	<u>151</u>	<u>38,447</u>	<u>51,304</u>	<u>26,460,300</u>	<u>25,157,892</u>
Expenditures						
Instruction	15,402,371	-	-	-	15,402,371	14,639,569
Support services	8,595,853	-	-	-	8,595,853	8,051,159
Noninstructional services	435,305	-	-	68,413	503,718	525,204
Facility acquisition, construction, and improvement services	-	753,340	35,640	-	788,980	863,006
Other financing uses						
Debt service	2,546,145	-	-	-	2,546,145	2,338,469
Refund of prior year's receipts	-	-	-	-	-	12
Interfund transfers	36,026	56	-	-	36,082	25,624
Total expenditures and other financing uses	<u>27,015,700</u>	<u>753,396</u>	<u>35,640</u>	<u>68,413</u>	<u>27,873,149</u>	<u>26,443,043</u>
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	(645,302)	(753,245)	2,807	(17,109)	(1,412,849)	(1,285,151)
Fund equity, beginning of year	6,925,513	753,245	1,344,470	-	9,023,228	10,308,379
Prior period adjustment	-	-	-	131,239	131,239	-
Fund equity, end of year	<u>\$ 6,280,211</u>	<u>\$ -</u>	<u>\$ 1,347,277</u>	<u>\$ 114,130</u>	<u>\$ 7,741,618</u>	<u>\$ 9,023,228</u>

TROY AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Revised Budget	Current Year's Actual	Favorable (Unfavorable) Revised Budget
Revenues				
Local sources	\$ 9,038,815	\$ 9,038,815	\$ 9,397,519	\$ 358,704
State sources	15,509,808	15,509,808	15,673,822	164,014
Federal sources	1,096,732	1,096,732	1,165,719	68,987
Other sources				
Proceeds from the issuance of capital lease	-	-	133,282	133,282
Interfund transfers	-	-	56	56
Total revenue	<u>25,645,355</u>	<u>25,645,355</u>	<u>26,370,398</u>	<u>725,043</u>
Expenditures				
Instruction				
Regular programs	10,529,326	10,529,326	10,305,588	223,738
Special programs	3,877,851	3,877,851	4,207,006	(329,155)
Vocational education programs	818,028	818,028	788,111	29,917
Other instructional programs	111,480	111,480	101,666	9,814
Total instruction	<u>15,336,685</u>	<u>15,336,685</u>	<u>15,402,371</u>	<u>(65,686)</u>
Support Services				
Pupil personnel	919,722	919,722	891,789	27,933
Instructional staff	1,202,560	1,202,560	1,516,529	(313,969)
Administration	1,382,316	1,382,316	1,388,772	(6,456)
Pupil health	255,133	255,133	220,796	34,337
Business	357,357	357,357	360,958	(3,601)
Operation and maintenance	2,738,629	2,738,629	2,426,185	312,444
Student transportation services	1,676,470	1,676,470	1,486,918	189,552
Central support services	319,285	319,285	303,906	15,379
Total support services	<u>8,851,472</u>	<u>8,851,472</u>	<u>8,595,853</u>	<u>255,619</u>
Noninstructional services				
Student activities	551,163	551,163	435,305	115,858
Community services	1,300	1,300	-	1,300
Total noninstructional services	<u>552,463</u>	<u>552,463</u>	<u>435,305</u>	<u>117,158</u>
Facilities acquisition, construction and improvement services				
	-	-	-	-
Other financing uses				
Budgetary reserve	75,000	75,000	-	75,000
Debt service	2,588,967	2,588,967	2,546,145	42,822
Interfund transfers	66,000	66,000	36,026	29,974
Total other financing uses	<u>2,729,967</u>	<u>2,729,967</u>	<u>2,582,171</u>	<u>147,796</u>
Total expenditures and other financing uses	<u>27,470,587</u>	<u>27,470,587</u>	<u>27,015,700</u>	<u>454,887</u>
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	<u>\$ (1,825,232)</u>	<u>\$ (1,825,232)</u>	<u>(645,302)</u>	<u>\$ 1,179,930</u>
Fund equity, beginning of year			<u>6,925,513</u>	
Fund equity, end of year			<u>\$ 6,280,211</u>	

TROY AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION – PRIVATE PURPOSE TRUST FUND
AS OF JUNE 30,

	2021	2020
Assets		
Cash	\$ 50,638	\$ 51,173
Total assets	<u>\$ 50,638</u>	<u>\$ 51,173</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Net position		
Reserved for scholarships	<u>50,638</u>	<u>51,173</u>
Total liabilities and net position	<u>\$ 50,638</u>	<u>\$ 51,173</u>

TROY AREA SCHOOL DISTRICT

**STATEMENTS OF CHANGES IN NET POSITION - PRIVATE PURPOSE TRUST FUND
FOR THE YEARS ENDED JUNE 30,**

	2021	2020
Additions		
Gifts and contributions	\$ 600	\$ 1,700
Interest earnings	265	322
Total additions	865	2,022
Deductions		
Scholarships awarded	1,400	2,929
Total deductions	1,400	2,929
Change in net position	(535)	(907)
Net position - beginning of year	51,173	52,080
Net position - end of year	\$ 50,638	\$ 51,173

TROY AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30,

	2021	2020
Assets		
Cash and cash equivalents	\$ 185,865	\$ 218,099
Intergovernmental receivables	39,539	10,123
Other receivables	85	332
Due from other funds	71,967	73,404
Inventories	26,039	39,802
Capital assets, net	56,503	68,623
	<hr/>	<hr/>
Total assets	\$ 379,998	\$ 410,383
	<hr/>	<hr/>
Liabilities		
Accounts payable	\$ -	\$ 33
Accrued liabilities	47,208	47,794
Unearned revenue	30,363	43,550
Due to other funds	42,188	139,002
	<hr/>	<hr/>
Total liabilities	119,759	230,379
	<hr/>	<hr/>
Net Position		
Invested in capital assets	56,503	68,623
Unrestricted	203,736	111,381
	<hr/>	<hr/>
Total net position	260,239	180,004
	<hr/>	<hr/>
Total liabilities and net position	\$ 379,998	\$ 410,383
	<hr/>	<hr/>

TROY AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30,

	2021	2020
Operating revenue		
Food service revenue	\$ 43,225	\$ 201,188
Operating expenses		
Salaries and benefits	549,589	543,326
Purchased food	229,709	197,658
Supplies	83,345	75,871
Depreciation	12,120	12,839
Other operating expenses	8,940	12,006
Total operating expenses	883,703	841,700
Total net operating loss	(840,478)	(640,512)
Non-operating revenues		
State sources	98,192	90,285
Federal sources	822,521	465,874
Total non-operating revenues	920,713	556,159
Change in net position	80,235	(84,353)
Total net position, beginning	180,004	264,357
Total net position, ending	\$ 260,239	\$ 180,004

**TROY AREA SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30,**

	2021	2020
Cash flows from operating activities		
Cash received from users	\$ 43,472	\$ 201,122
Cash payments to or on behalf of employees for services	(550,175)	(539,559)
Cash payments to suppliers for goods and services	(249,153)	(222,315)
Cash (payments) received (for) from other funds	(95,377)	96,831
Net cash used in operating activities	<u>(851,233)</u>	<u>(463,921)</u>
Cash flows from non-capital financing activities		
Cash received from State sources	97,028	89,909
Cash received from Federal sources	721,971	393,365
Net cash provided by non-capital financing activities	<u>818,999</u>	<u>483,274</u>
Cash flows from investing activities		
Facilities acquisitions equipment purchases	-	(15,496)
Net cash used in by investing activities	<u>-</u>	<u>(15,496)</u>
Net increase (decrease) in cash	(32,234)	3,857
Cash and cash equivalents balance, beginning of year	218,099	214,242
Cash and cash equivalents balance, end of year	<u>\$ 185,865</u>	<u>\$ 218,099</u>
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss	\$ (840,478)	\$ (640,512)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	12,120	12,839
Donated commodities	72,298	62,762
Changes in assets and liabilities:		
(Increase) decrease in other receivables	247	(66)
(Increase) decrease in inventory	13,763	(13,862)
Decrease in accounts payable	(33)	(313)
Increase in accrued liabilities	1,539	1,548
Increase (decrease) in unearned revenue	(13,187)	14,633
Increase (decrease) in due to other funds	(95,377)	96,831
Increase (decrease) in other current liabilities	(2,125)	2,219
Net cash used in operating activities	<u>\$ (851,233)</u>	<u>\$ (463,921)</u>
Supplemental Schedule of Non-Cash Activities		
Activities not affecting cash flows are as follows:		
Surplus food	\$ 72,298	\$ 62,762
Total non-cash activity	<u>\$ 72,298</u>	<u>\$ 62,762</u>

TROY AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

Total fund balances - governmental funds		\$ 7,741,618
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. Capital assets consist of the following at year-end:		
Cost of the assets	\$ 59,579,248	
Accumulated depreciation	<u>(19,126,896)</u>	40,452,352
Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.		468,596
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(275,270)
Net deferred inflows and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, pensions expense is based on required contributions.		4,534,375
Net deferred inflows and outflows of resources related to OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, OPEB expense is based on required benefits paid.		1,591,934
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:		
Bonds payable	(25,069,282)	
Capital lease	(105,832)	
Net pension liability	(34,812,000)	
Other post employment benefits	(6,892,071)	
Compensated absences	<u>(124,576)</u>	<u>(67,003,761)</u>
Total net position (deficit) - governmental activities		\$ (12,490,156)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 8,626,664	\$ -	\$ -	\$ -	\$ 8,626,664
Taxes receivable	835,118	-	-	-	835,118
Intergovernmental receivable	1,859,377	-	-	-	1,859,377
Due from other funds	64,882	-	-	(64,882)	-
Other receivables	17,457	-	-	-	17,457
Prepaid expenses	7,089	-	-	-	7,089
Capital assets, net	-	40,452,352	-	-	40,452,352
Total assets	11,410,587	40,452,352	-	(64,882)	51,798,057
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	5,912,375	-	-	5,912,375
Deferred outflows related to OPEB	-	2,397,942	-	-	2,397,942
Total assets and deferred outflows of resources	\$ 11,410,587	\$ 48,762,669	\$ -	\$ (64,882)	\$ 60,108,374
Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position (Deficit)					
Liabilities					
Accounts payable	\$ 521,675	\$ -	\$ -	\$ -	\$ 521,675
Accrued liabilities	2,523,434	-	-	-	2,523,434
Accrued interest	-	-	275,270	-	275,270
Due to other funds	94,661	-	-	(64,882)	29,779
Unearned revenue	60,603	-	-	-	60,603
Bonds payable	-	-	25,069,282	-	25,069,282
Capital lease	-	-	105,832	-	105,832
Net pension liability	-	-	34,812,000	-	34,812,000
Compensated absences	-	-	124,576	-	124,576
Other post employment benefits	-	-	6,892,071	-	6,892,071
Total liabilities	3,200,373	-	67,279,031	(64,882)	70,414,522
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	1,378,000	-	1,378,000
Deferred inflows related to OPEB	-	-	806,008	-	806,008
Deferred inflows - delinquent real estate taxes	468,596	-	(468,596)	-	-
Total deferred inflows of resources	468,596	-	1,715,412	-	2,184,008
Fund Equity & Net Position (Deficit)	7,741,618	48,762,669	(68,994,443)	-	(12,490,156)
Total liabilities, deferred inflows of resources and fund equity/net position (deficit)	\$ 11,410,587	\$ 48,762,669	\$ -	\$ (64,882)	\$ 60,108,374

TROY AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - governmental funds \$ (1,412,849)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 1,152,962	
Depreciation expense	<u>(992,028)</u>	160,934

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenue in the governmental funds. In the statement of activities amounts are recognized as revenue as they are considered earned. Deferred inflows of resources changed by this amount during the year. (98,684)

Net proceeds from the issuance of long-term debt (including capital leases and bond refunding), net of bond issuance costs, are recorded as revenue in the governmental funds. However, in the statement of activities, proceeds from the issuance of long-term debt is not recorded as revenue but rather the amount is recorded as a liability in the statement of net position. (133,282)

Repayment of bond principal and capital leases (including refund of debt) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,627,451

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plan. (384,014)

District's proportionate share of OPEB expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's benefit payments to OPEB plans. (122,843)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. In addition, premiums/discounts on bonds are recorded as revenue/expenditures in the governmental funds, whereas in the statement of activities, premiums/discounts are amortized into interest expense. 157,193

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (21,927)

Change in net position of governmental activities \$ (228,021)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 7,486,726	\$ (98,684)	\$ -	\$ -	\$ 7,388,042
Other taxes levied	1,382,906	-	-	-	1,382,906
Interest and earnings	16,472	-	-	-	16,472
Other local sources	565,291	-	-	(462,119)	103,172
State sources	15,673,822	-	-	(5,980,300)	9,693,522
Federal sources	1,165,719	-	-	(1,165,719)	-
Total revenue	26,290,936	(98,684)	-	(7,608,138)	18,584,114
Expenditures					
Instruction	15,402,371	494,686	384,473	(4,959,815)	11,321,715
Instructional student support	2,629,114	60,279	41,993	(291,721)	2,439,665
Administrative and financial support services	1,749,730	70,903	43,189	(218,521)	1,645,301
Operation and maintenance of plant services	3,215,165	(877,262)	10,626	(44,706)	2,303,823
Pupil transportation	1,486,918	60,191	24,684	(1,210,081)	361,712
Central support	303,906	20,391	7,292	(83,093)	248,496
Student activities	503,718	9,878	6,962	(60,376)	460,182
Community services	-	-	9,565	(56,761)	(47,196)
Debt service	2,546,145	-	(1,784,644)	(683,064)	78,437
Total expenditures	27,837,067	(160,934)	(1,255,860)	(7,608,138)	18,812,135
Excess (deficiency) of revenue over expenditures	(1,546,131)	62,250	1,255,860	-	(228,021)
Other sources and uses					
Proceeds from the issuance of capital lease	133,282	-	(133,282)	-	-
Operating transfers in	36,082	-	-	(36,082)	-
Operating transfers out	(36,082)	-	-	36,082	-
Total other sources (uses)	133,282	-	(133,282)	-	-
Net change for year	\$ (1,412,849)	\$ 62,250	\$ 1,122,578	\$ -	\$ (228,021)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The *Troy Area School District* is governed by the Education Law and other general laws of the State of Pennsylvania. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by or significantly influenced by, the Board of Education. Essentially, the primary function of the School District is to provide education for pupils. Support services such as transportation of pupils, administration, finance and plant maintenance are also included. The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

B. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state subsidy, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants. Business-type activities include the District's food service operation which is financed through sales and reimbursements of breakfasts and lunches.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

a. Governmental Fund Types

Governmental funds are those funds used to account for and report the operations of the School District. The acquisition, use, and balances of financial resources and related assets and liabilities and deferred inflows and outflows are reported therein. The measurement focus is the determination of changes in financial position rather than net income determination. The following funds and aggregate governmental fund types are employed in accounting for and reporting School District operations. The District reports the following major governmental funds:

General Fund - The General Fund is the principal 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 Funds - The Capital Projects Funds are used to account for and report financial resources to be used for the acquisition or construction or renovation of major capital facilities or equipment. These projects are approved by the Pennsylvania Department of Education and a portion of the costs will be reimbursed with state subsidy in future years.

Capital Reserve Funds - The Capital Reserve Funds are used to account for the proceeds of specific sources that are restricted to expenditures for capital purposes.

Special Revenue - is used to account for and report those revenues that are committed to expenditures for extraclassroom activity funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

b. Proprietary Fund Types

Proprietary Fund Types are used to account and report activities that are similar to business operations in the private sector where the focus is on determining net income and cash flows. Proprietary Fund Types include the following fund:

Food Service Fund - Accounts for all revenue and expenses pertaining to cafeteria operations.

c. Fiduciary Fund Types

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are not included in the District-wide financial statements because their resources do not belong to the District, and are not available to be used. The District has private purpose trust funds (scholarships) that qualify for reporting as a fiduciary.

C. Measurement Focus and Basis of Accounting

The district-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgeting Policies - Governmental Fund Types

1. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is for the School District administration to culminate a proposed budget for approval by the Board of Education prior to commencement of a new fiscal year. Appropriations established by adoption of the budget constitute a limitation on expenditures which may be incurred.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as a reservation of fund equity since such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

E. Local Taxes

Real property taxes are levied annually by the Board of Education and received by tax collectors by December 31. Uncollected real property taxes are subsequently enforced by Bradford County. An amount representing uncollected real property taxes transmitted to the County for re-levy is recorded as deferred inflows of resources in the governmental fund financial statements until collected by the County.

TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Local Taxes (continued)

Per capita, earned income and realty transfer taxes are levied annually by the Board of Education. Uncollected per capita and occupation taxes are subsequently enforced by GH Harris, while uncollected earned income taxes are enforced by Berkheimer, who are third-party tax collector agencies.

F. Inventory

Inventories of food in the Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market.

G. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to September 30, 2002. For assets acquired prior to September 30, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,500	Straight-line	20-50 years
Land improvements	\$ 1,500	Straight-line	20 years
Furniture and equipment	\$ 1,500	Straight-line	5-20 years
Transportation vehicles	\$ 1,500	Straight-line	8 years

H. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Inflows and Outflows of Resources (continued)

The second is the District contributions to the pension system and benefits paid to OPEB plans subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

I. Long-Term Debt

1. General Long-Term Indebtedness

Bonds and general obligation notes and capital leases are recognized when issued.

2. Compensated Absences

The District provides compensated absences benefits for all employees which ranges from \$15-\$50 per sick and personal day for all employees other than support staff and is paid only upon retirement as long as the employee has 10 years of service with the District. The maximum number of unused sick days that is paid for professional personnel is 50 days for personal time and 145 days for sick time. Support staff accrue \$0-\$35 a day for unused sick and personal time and is payable upon retirement or upon separation from service as described in the collective bargaining agreement. The maximum number of unused sick days that is paid for support staff is 50 days for personal time and 100 days for sick time. In the district-wide Statement of Net Position as of June 30, 2021, \$124,576 was accrued for compensated absences.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Debt (continued)

3. Retirement Incentive Payable

The District has offered retirement incentives under several separate collective bargaining agreements which are more thoroughly discussed subsequently in these notes.

4. Vacation Payable

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave are accrued in the district-wide financial statements.

J. Pensions

Plan description

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value. The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.gov.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions (continued)

Benefits provided (continued)

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service to 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 defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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 the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions (continued)

Contributions (continued)

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

School employees who first became an active member of PSERS on or after July 1, 2019 are automatically enrolled as a Class T-G member. Class T-G provides a hybrid retirement that has both a Defined Benefit (DB) and a Defined Contribution (DC) component for your retirement benefit. Once enrolled, employees have an election period to decide if they would like to remain Class T-G or elect another hybrid membership class with different contribution rates (Class T-H) or a defined contribution only membership class (Class DC).

Employer contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 34.51% (33.51% for pension, .82% for health care contributions, and .18% for Act 5 defined contribution) of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were approximately \$3,444,000 for the year ended June 30, 2021.

K. Other Postemployment Benefits

Plan Descriptions

The Troy Area School District has two separate other post-employment benefit plans that are provided to District employees and retirees which include a District Plan based on bargaining agreements and the Health Insurance Premium Assistance Program offered through the Pennsylvania Public School Employees' Retirement System.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Other Postemployment Benefits (continued)

District Plan

General Information

The District maintains a single-employer defined benefit healthcare plan (the District Plan). The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The District Plan does not issue a publicly available financial report. Eligibility for the District Plan is established by the District and specified in the District's employment contracts. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan is determined on the basis of an actuarial valuation dated July 1, 2020.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2021 the plan had total active employees of 186 and retirees of 20.

Health Insurance Premium Assistance Program

General Information

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

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate.

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out of pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Other Postemployment Benefits (continued)

Health Insurance Premium Assistance Program (continued)

Premium Assistance Eligibility Criteria

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

- Have 24 ½ years 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 new bullet point Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

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

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 districts' contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$83,000 for the year ended June 30, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed or assigned). The nonspendable fund balance as of June 30, 2021 totaled \$7,089.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. The District's restricted reserves are as follows:

1. Capital Projects Reserve

This reserve is used to accumulate funds to finance future costs to be used for the acquisition or construction or renovation of major capital facilities or equipment.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District's committed reserves are as follows:

1. Board Designated Fund Balance

The District's Board of Education established and funded a reserve for future health insurance, retirement costs, and technology. Designation of unreserved fund equity in governmental funds indicates that utilization of these resources in the ensuing year's budget or tentative plans for future use. The general fund committed balance as of June 30, 2021 totaled \$2,912,135.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed (Continued)

2. Extraclassroom Activities Fund Equity

This fund equity is designated as committed as it can be used only for extraclassroom activities purposes.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer have been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances as of June 30, 2021 totaled \$-.

2. Appropriated Fund Balance

General Fund - The amount of \$1,745,655 has been designated as the amount for the capital flooring project and roof replacement project.

3. Appropriated Subsequent Year's Budget

General Fund - The amount of \$39,185 had been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2022.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide Financial Statements

A. Net investment in Capital Assets

This designation of Net Position is used to accumulate the capital asset balance in the Statement of Net Position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

2. Government-wide Financial Statements (continued)

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents Net Position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

M. Interfund Activity

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Interfund Activity (continued)

During the course of operations, the *Troy Area School District* has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. Eliminations have been also made for amounts transferred to and from the same fund type.

N. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenditures/expenses.

O. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered as cash equivalents. This includes certificates of deposit, treasury notes and treasury bills.

P. Investments

Investments are carried at market value.

Q. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

R. New Accounting Pronouncement

Effective July 1, 2020, the District implemented the provisions of GASB Statement No. 84, Fiduciary Activities. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, certain fiduciary funds will now report a net position and a statement of changes in net position. Implementation of this guidance resulted in reclassification of extraclassroom activities and payroll transactions in fiduciary activities to governmental activities and the creation of a special revenue fund to account for these activities. Payroll transactions previously recorded in the agency fund are now recorded in the general fund.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

Total fund equity of the District's governmental funds differs from "Net Position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories, which are summarized below.

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "measurable" and "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (CONTINUED)**

**B. Statement of Revenues, Expenditures and
Changes in Fund Equity vs. Statement of
Activities (continued)**

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences

Pension differences occur as a result of changes in the District's proportion of collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

5. OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

NOTE 3 - CASH

A. Deposits

The School District invests excess funds with banks or trust companies authorized to do business in Pennsylvania. During the year ended June 30, 2021, the School District's investments included interest bearing checking accounts (including money market type investments), certificates of deposit and U.S. Government notes and bills. These consist of permissible investments in obligations of the U.S. Treasury and U.S. Agencies or certificates of deposit, which are fully insured or collateralized as provided by Pennsylvania law. All funds were held by commercial banks and trust companies as authorized by the Board of Education.

The District's cash and investments are required to be secured (for funds in excess of the FDIC insurance limitation of \$250,000) by a pledge of governmental securities having a market value at least equal to the amount on deposit. The banks use the pooling method to pledge securities for all public funds that are on deposit. This method allows the depository to pledge securities in one lump sum that covers all public funds on deposit at the bank.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, State statutes govern the District's investment policies. At June 30, 2021, the District's bank deposits were fully collateralized.

NOTE 3 - CASH (CONTINUED)

Total financial institution balances at June 30, 2021, per the bank, were approximately \$9,261,000 of which \$750,000 was secured by FDIC insurance and \$8,511,000 was secured by the banks as required by Act 72 of 1971.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance 06/30/20	Net Change	Ending Balance 06/30/21
Governmental activities:			
Capital assets:			
Land and land improvements	\$ 6,590,683	\$ 143,477	\$ 6,734,160
Buildings and improvements	47,762,113	1,065,959	48,828,072
Construction-in-progress	401,567	(401,567)	-
Furniture, equipment and vehicles	3,671,923	345,093	4,017,016
Total historical cost	<u>58,426,286</u>	<u>\$ 1,152,962</u>	<u>59,579,248</u>
Accumulated depreciation:			
Land and land improvements	3,473,289	\$ 88,631	3,561,920
Building improvements	11,719,660	692,395	12,412,055
Furniture, equipment and vehicles	2,941,919	211,002	3,152,921
Less accumulated depreciation:	<u>18,134,868</u>	<u>\$ 992,028</u>	<u>19,126,896</u>
Total net book value	<u>\$40,291,418</u>		<u>\$40,452,352</u>
Proprietary/business-type activities:			
Building improvements, furniture and Equipment	\$ 350,833	<u>\$ 0</u>	\$ 350,833
Less accumulated depreciation:	<u>282,210</u>	<u>\$ 12,120</u>	<u>294,330</u>
Total net book value	<u>\$ 68,623</u>		<u>\$ 56,503</u>
	<u>Governmental</u>	<u>Proprietary/ Business-type</u>	
Depreciation expense:			
Instruction	\$ 629,071	\$ -	
Support services	350,729	-	
Non-instructional services	<u>12,228</u>	<u>12,120</u>	
	<u>\$ 992,028</u>	<u>\$ 12,120</u>	

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 5 - INDEBTEDNESS

A. Short-Term Debt

1. Tax and Revenue Anticipation Notes

The District did not issue any tax or revenue anticipation notes during the current fiscal year.

2. Short-Term Debt Interest

The District had no short-term interest during the fiscal year ended June 30, 2021.

B. Long-Term Debt

1. Bonds Payable

The following is a description of the terms of the long-term bonds issued, and reported here under the terms of the financing agreement, in connection with the construction of the school building projects:

	<u>Amount Outstanding</u>
2015 Series refunding with maturity date of 3/1/2030, bonds carry interest from 0.40%-5.00%.	\$ 15,525,000
Plus: unamortized premium	725,033
Less: debt defeasance	<u>(147,027)</u>
	<u>16,103,006</u>
2019 Series refunding with maturity date of 9/15/32, bonds carry interest from 2.375%-3.00%.	9,055,000
Less: unamortized discount	<u>(88,724)</u>
	<u>8,966,276</u>
Totals	<u>\$ 25,069,282</u>

NOTE 5 - INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

2. Summary of Long-Term Debt

The following is a summary of long-term liabilities outstanding at June 30, 2021:

<u>Description</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>	<u>Balance June 30, 2020</u>
2015 Series Bonds	\$ 16,103,006	\$ 1,635,000	\$ 17,415,240
2019 Series Bonds	8,966,276	135,000	9,387,389
Capital Leases	105,832	27,450	-
Net Pension Liability	34,812,000	-	33,169,000
Compensated Absences	124,576	-	102,649
Other Post-Employment Benefits	6,892,071	-	4,673,644
	<u>\$ 67,003,761</u>	<u>\$ 1,797,450</u>	<u>\$64,747,922</u>

3. Changes

The District made principal payments on its series bonds in the amount of \$1,600,000. The total change in the unamortized premiums/discounts was a decrease of \$133,347. The District entered into a new capital lease in the amount of \$133,282 and made principal payments of \$27,450 in the current year. The net change in compensated absences was an increase of \$21,927 during the fiscal year ended June 30, 2021. During the current year, other post-employment benefits liability increased in the amount of \$2,218,427 related to actuarial updates. Lastly, the District's proportionate share of the PSERS net pension liability increased by \$1,643,000 during the current year as a result of an actuarial update.

4. Long-Term Debt Interest

Interest expense for the year ended June 30, 2021 amounted to approximately \$919,000 which related to the serial bonds and is recorded in the General Fund.

NOTE 5 - INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

5. Maturity

A five-year summary of principal and interest payments on the District's series bonds is as follows:

June 30,	Series Bonds – Series 2015	
	Principal	Interest
2022	\$ 1,635,000	\$ 613,031
2023	1,705,000	547,631
2024	1,770,000	479,431
2025	1,855,000	390,931
2026	1,955,000	298,181
2027-2030	6,605,000	470,875
	<u>\$ 15,525,000</u>	<u>\$ 2,800,080</u>

June 30,	Series Bonds – Series 2019	
	Principal	Interest
2022	\$ 135,000	\$ 238,688
2023	135,000	234,638
2024	145,000	230,438
2025	150,000	226,013
2026	215,000	220,538
2027-2031	4,390,000	915,081
2032-2033	3,885,000	102,600
	<u>\$ 9,055,000</u>	<u>\$ 2,167,996</u>

6. Debt Issuance Costs, Bond Premiums, Discounts, and Amortization

Debt issuance costs resulting from bond and other debt refinancing are expensed in the year they were incurred.

Bond premiums earned and bond discounts resulting from bond and other debt refinancing are being amortized over the life of the related debt using the interest method. These premiums and discounts are deferred and added to or subtracted from the outstanding principal balances for the bonds.

NOTE 5 - INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

7. Refunding of Long-Term Debt

In prior year, the District defeased certain serial bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of old bonds. Accordingly, the trust accounts assets and liabilities of the defeased bonds are not included on the District's financial statements.

8. Capital Leases

On February 15, 2021, the District entered into a lease purchase agreement with Apple Financial Services. This agreement is related to Apple computer equipment. The total cost of equipment is \$133,282. The agreement carried an average interest rate of 1.49% and had a maturity date of February 15, 2025. Below is a summary of principal and interest payments on the capital leases.

June 30,	Capital Lease - 2020	
	Principal	Interest
2022	\$ 25,875	\$ 1,577
2023	26,259	1,191
2024	26,650	800
2025	27,048	403
	<u>\$ 105,832</u>	<u>\$ 3,971</u>

NOTE 6 - CONTINGENCIES AND COMMITMENTS

A. Federal and State Grants

The School District participates in both state and federal 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 expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

B. Litigation

The School District, in the normal course of its operations, is involved in various litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position.

C. Self-Insurance

The School District is a participant in a multiple employer cost-sharing trust established for the purpose of self-insuring hospitalization expenses. The trust makes monthly premium payments to its program administrator who pays claims submitted. Monthly premiums are based on claims paid experience provided by the administrator, plus a premium stabilization amount. On a yearly basis, the administrator reconciles claims paid against premiums received.

D. Risk Financing and Related Insurance

1. General Information

The *Troy Area School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Risk Sharing Pools

For its employee health and accident coverage, *Troy Area School District* is a participant in a Northern Tier Insurance Consortium, a public entity risk pool operated for the benefit of individual governmental units located within the BLaST Intermediate Unit 17. The School District pays monthly premiums to the Plan for this health coverage.

The Plan provides health coverage for its members and all claims are paid from the total premiums contributed by the members of the consortium. Excess claims over premiums are funded from a stabilization fund held by the Northern Tier Insurance

**NOTE 6 - CONTINGENCIES AND COMMITMENTS
(CONTINUED)**

D. Risk Financing and Related Insurance (continued)

3. Risk Sharing Pools (continued)

Consortium operated out of the Blast IU 17 office, while premiums in excess of the claims are refunded to the Insurance Trust.

For its workers compensation insurance, *Troy Area School District* is a participant in the Pennsylvania Insurance Consortium for Schools, a public entity risk pool operated for the benefit of school districts located throughout the State of Pennsylvania.

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances as of June 30, 2021 and interfund revenue and expenditures for the year ended June 30, 2021 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 42,188	\$ 94,661
Capital Reserve Fund	22,360	-
Food Service Fund	71,967	42,188
Special Revenue Fund	334	-
	<u>\$ 136,849</u>	<u>\$ 136,849</u>

During the year ended June 30, 2021, the District had an interfund transfer from the general fund to the capital reserve fund of which was related to gas lease proceeds and a donation received for capital purposes of \$35,970 and transferred \$56 from the capital project fund to the general fund and from the general fund to the capital reserve fund to close out the capital project fund.

NOTE 8 - RETIREMENT PLAN

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 \$34,812,000 for its proportionate share of the net pension liability. The net pension liability as of the June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was .0707%, which was a decrease of .0002% from its proportion measured as of June 30, 2020.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 8 - RETIREMENT PLAN (CONTINUED)

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

For the year ended June 30, 2021, the District recognized pension expense of approximately \$3,726,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,530,000	\$ -
Changes of assumptions	-	-
Difference between expected and actual experience	91,000	834,000
Changes in proportions	589,000	544,000
Contributions subsequent to the measurement date	3,702,375	-
	<u>\$ 5,912,375</u>	<u>\$ 1,378,000</u>

\$3,702,375 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 System's net pension liability in the year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$ (326,000)
2023	274,000
2024	429,000
2025	455,000
	<u>\$ 832,000</u>

Actuarial Assumptions

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

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ended June 30, 2015.

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

The 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.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<u>100%</u>	

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued)

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.

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 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) that the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$43,070,000	\$34,812,000	\$27,816,000

District's proportionate share of the net pension liability	\$43,070,000	\$34,812,000	\$27,816,000
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System Net Pension Liability

The components of the total PSERS net pension liability as of June 30, 2020 are as follows:

	(Dollar Amounts in Thousands)
Total pension liability	\$ 107,795,802
Less: System fiduciary net position	58,556,786
System net pension liability	\$ 49,239,016
System fiduciary net position as a percentage of total pension liability	54.32%

Pension Plan Fiduciary Net Position

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

NOTE 9 - OTHER POST-EMPLOYMENT BENEFIT PLANS

District Plan

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 \$5,362,071. The net OPEB liability was measured as of July 1, 2020 and was determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$383,862. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,425,103	\$ -
Changes of assumptions	510,474	78,774
Difference between expected and actual experience	-	643,234
Contributions subsequent to the measurement date	250,957	-
	<u>\$ 2,186,534</u>	<u>\$ 722,008</u>

\$250,957 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 ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	\$ 89,782
2023	89,782
2024	89,782
2025	89,782
2026	89,782
Thereafter	764,659
Net deferred inflow/outflow	<u>\$ 1,213,569</u>

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

District Plan (continued)

Actuarial Assumptions

The total OPEB liability as of June 30, 2021, was determined by rolling forward the System's total OPEB liability as of the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 1.86% - Based on S&P Municipal Bond 20 Year High Grade Index.
- Salary growth – entry age normal cost method - increases of 2.5%, 1% real wage growth - teachers and admin varies by age from 2.75-0%
- Assumed Healthcare cost trends - 5.5% in 2020 through 2021, with a gradual decrease from 5.4% to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality Rates - assumed preretirement and postretirement using PSERS Projected generationally by the Buck Modified 2016 projection scale.

Changes in the Total OPEB Liability

Service cost	\$ 185,038
Interest	109,042
Difference between expected and actual experience	1,543,862
Changes in assumptions	553,014
Benefit payments	<u>(194,529)</u>
Net changes	2,196,427
Net OPEB liability – beginning of year	<u>3,165,644</u>
 Net OPEB liability – end of year	 <u>\$ 5,362,071</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Assumption	1% Increase
Total District Plan OPEB liability	<u>\$4,885,323</u>	<u>\$5,362,071</u>	<u>\$5,834,817</u>

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

District Plan (continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 0.86%	Current Assumption 1.86%	1% Increase 2.86%
Total District Plan OPEB liability	<u>\$5,736,333</u>	<u>\$5,362,071</u>	<u>\$5,001,748</u>

Health Insurance Premium Assistance Program

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 \$1,530,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was .0708% percent, which was a decrease of .0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$71,000. 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
Differences between expected and actual experience	\$ 14,000	\$ -
Net difference between projected and actual earnings	3,000	-
Changes in proportion	42,000	50,000
Changes in assumptions	62,000	34,000
Contributions subsequent to the measurement date	<u>90,408</u>	<u>-</u>
	<u>\$ 211,408</u>	<u>\$ 84,000</u>

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

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

\$90,408 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 year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:		
2022	\$	(2,000)
2023		(2,000)
2024		(3,000)
2025		24,000
Thereafter		<u>20,000</u>
Net deferred inflow/outflow	\$	<u>37,000</u>

Actuarial Assumptions

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

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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%	(1.0%)
US Core Fixed Income	46.5%	(0.1%)
Non-US Developed Fixed	<u>3.2%</u>	(0.1%)
	<u>100%</u>	

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount rate

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

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

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

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

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

	1% Decrease	Current Assumption	1% Increase
Total Health Insurance Premium Assistance OPEB liability	\$1,530,000	\$1,530,000	\$1,530,000

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 1.66%	Current Assumption 2.66%	1% Increase 3.66%
Total Health Insurance Premium Assistance OPEB liability	\$1,744,000	\$1,530,000	\$1,352,000

System Net OPEB Liability

The components of the total net OPEB liability as of June 30, 2020 are as follows:

	(Dollar Amounts in Thousands)
Total OPEB liability	\$ 2,291,114
Less: System fiduciary net position	130,417
System net OPEB liability	<u>\$ 2,160,697</u>

System fiduciary net position as a percentage of total OPEB liability 5.69%

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.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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NOTE 10 - RECEIVABLES

Taxes Receivable

Taxes receivable amounted to \$899,783 at June 30, 2021 and consist of the estimated delinquent real property taxes, delinquent per capita taxes, delinquent occupation taxes and delinquent earned income taxes levied by the District but uncollected during the last three years. The taxes are ultimately collectible either by payment from the property owner or from the proceeds of a public sale of the levied property. The District recorded a \$64,665 reserve for potential uncollectible delinquent real estate taxes on the governmental and district-wide financial statements.

Intergovernmental Receivable

Included in the intergovernmental receivable balance of \$1,859,377 in the General Fund and \$39,539 in the Food Service Fund as of June 30, 2021 are amounts due from grant receivables from the Federal and State governments, the Commonwealth of Pennsylvania Department of Education for reimbursement of social security, retirement and other state subsidy, tuition receivable from various local school districts and amounts due from the BLAST Intermediate Unit 17.

NOTE 11 – UNEARNED REVENUE

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises 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. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Unearned revenue is also related to donated commodities received by the District which is included as inventory at year-end and is recorded in the business-type funds.

As of June 30, 2021, the District had \$60,603 relating to grants received that were unexpended in the general fund and \$30,363 in the business-type funds of which \$15,954 related to donated commodity inventory and \$14,409 was related to prepayments on meals.

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Balance Sheet will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflow of resources, represents an acquisition of revenue by the District that is applicable to a future reporting period. The District has one item that qualifies for reporting in this category, Delinquent Real Estate Taxes. Although this revenue source is measured and earned at year-end, it is not available to pay current expenditures and therefore is classified as deferred inflow of resources.

**NOTE 12 – DEFERRED INFLOWS OF RESOURCES
(CONTINUED)**

Deferred inflows of resources in the General Fund amounted to \$468,596 as of June 30, 2021, pertains to taxes receivable at the end of the fiscal year less amounts collected within sixty days subsequent to the year-end.

NOTE 13 - COMPENSATED ABSENCES

The District does not accrue a liability in the governmental funds for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value of accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$274,000 at June 30, 2021 for accumulating, non-vesting sick leave.

In the district-wide statements, as of June 30, 2021, \$124,576 was accrued for accumulating, vesting sick leave and longevity payments.

NOTE 14 - RETIREMENT INCENTIVES

The Board of Education approved certain contracts to permit employees who retire from the District before reaching the age of 65, and who are receiving retirement payments from the Public School Employees' Retirement System to continue to participate in the District's medical and dental group plan from the time of retirement until they reach the age of 65. Upon retirement employees covered within the Troy Area Education Association collective bargaining unit who choose to continue medical and dental insurance coverage through the district are eligible for a monetary credit in the amount equal the one and one-half of the retiring professional's highest year's salary that has been earned by the employee while on the Troy Area School District Professional Salary scale. The monetary credit shall be used to purchase health insurance for the employee only. Retired employees may purchase health insurance for an eligible spouse or dependent at the current premium rates. When the monetary credit is exhausted, the insured employee will be required to pay the then current premiums or to drop coverage. Retired employees within the Troy Area Educational Support Personnel Association are not eligible for a monetary credit but can purchase medical and dental insurance coverage at the current premiums. A retiree's cost of group insurance is calculated by the plan administrator and is based on projected expenditure for the year plus a 2% administrative fee. Continued participation in the group plan under this policy is contingent upon full payment of premiums due prior to the 25th day of each month for the next month's coverage. Currently there are 20 participants receiving benefits. These expenses are included in the GASB 75 calculation.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 15 - CAPITAL PROJECT

During the year ended June 30, 2021, the District incurred \$753,340 of capital project fund expenditures related to a roofing project.

NOTE 16 – CAPITAL RESERVE

The District has established a Capital Reserve Fund which is available to fund various capital projects, including the purchase, replacement and maintenance of capital assets of the District. The reserve has been funding through transfers from the General Fund which are approved by the Board of Education.

The following schedule details the activity in the capital reserve during the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance Fund Equity at July 1,	\$1,344,470	\$1,925,407
Transfer from General Fund	36,026	25,624
Interest earned	2,421	8,149
Ventilation system	(13,297)	-
TECE – demolition of building	-	(113,050)
Track and field	(7,963)	(159,543)
WRC playground	(14,380)	(126,450)
TIS playground	-	(193,167)
Equipment	-	(22,500)
Ending Total Fund Equity as of June 30,	<u>\$1,347,277</u>	<u>\$1,344,470</u>

NOTE 17 - RELATED PARTY

The School District is one of various school districts of the Northern Tier Career Center A/K/A Bradford County Area Vocational-Technical School Authority (the Center). The Center is controlled and governed by a Board which is composed of school board members of the member school districts. Direct oversight of The Center's operation is the responsibility of the Board. The School District's share of annual operating and capital costs for The Center fluctuates based on a percentage enrollment in the school. BLaST Intermediate Unit 17 provides several services to the School District. These services include special education, hospitalization, a local area network, staff development and enrichment services.

NOTE 17 - RELATED PARTY (CONTINUED)

During the fiscal year ended June 30, 2011, the Center issued long-term debt to finance a building-improvement project. The bond was refinanced during the year ended June 30, 2020. *Troy Area School District*, along with the component school districts, are committed to pay its allocated portion of the future long-term debt. During the fiscal year ended June 30, 2021, the District incurred principal and interest costs in the amount of \$93,620 and \$13,912 respectively, related to its share of long-term debt issued by the Center for the building improvements project.

Below is a schedule of District's future payments towards the capital project.

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 96,942	\$ 11,294
2023	99,358	8,582
2024	102,378	5,803
2025	<u>105,096</u>	<u>2,940</u>
	\$ <u>403,774</u>	\$ <u>28,619</u>

The District will receive rental subsidy from the Pennsylvania Department of Education based on payments of principal and interest related to the Center building project. The District recognized rental subsidy revenue during the current fiscal year in the amount of \$50,578 for current year payments made on the project.

NOTE 18 – FUND EQUITY

Classification

The District's fund equity is comprised of various components.

<u>Category / Fund</u>	<u>Description</u>	<u>Balance June 30, 2021</u>
Restricted:		
Capital Projects	Capital Reserve	<u>\$ 1,347,277</u>
Committed:		
General	Technology	\$ 1,019,941
	Retirement	1,019,892
	Health Insurance	872,302
		<u>\$ 2,912,135</u>
Special Revenue	Extraclassroom fund balance	<u>\$ 114,130</u>
General	Appropriated – Flooring and roof replacement	\$ 1,745,655
	Appropriated - Subsequent year's budget	39,185
		<u>\$ 1,784,840</u>

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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NOTE 19 – TAX ABATEMENTS

The District has a Payment-in-Lieu of Taxes (PILOT) with a local authority. The agreement calls for annual payments to be made in the amount equal to 10% of shelter rent charged by the local authority during the fiscal year. During the year ended June 30, 2021, the District received \$5,836 related to this PILOT.

NOTE 20 – COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school Districts. The Pennsylvania Department of Education has allocated approximately \$282,000 of CARES Act (ESSER1 and GEER) assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. Also the Pennsylvania Commission on Crime and Delinquency has allocated approximately \$175,000 of CARES Act (PCCD) assistance to the District which is for the funding period of March 13, 2020 through October 30, 2020. As of June 30, 2021 the District has expended the all of the ESSER1 and PCCD funding.

In December 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was passed which provides additional assistance to school districts. The Pennsylvania Department of Education has allocated approximately \$1,351,000 of CRRSA Act (ESSER 2) assistance to the District. The District has expended \$280,016 during the year ended June 30, 2021.

In March 2021, the American Rescue Plan (ARP) Act was passed which provides additional assistance to school districts. The Pennsylvania Department of Education has allocated approximately \$2,733,000 of ARP Act (ESSER 3) assistance to the District. As of June 30, 2021 the District has spent \$0 of the ARP funds.

The District also provided free breakfast and lunches to all students (except those who opted out) through the Seamless Summer Option.

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

NOTE 21 – PRIOR PERIOD ADJUSTMENT

Implementation of GASB No. 84 required prior period adjustments for the governmental and fiduciary funds. This adjustment was needed to move the beginning balances of amounts previously reported as fiduciary funds to the respective governmental funds. Total extraclassroom activity funds of \$131,239 were reclassified from fiduciary funds to the special revenue fund as of July 1, 2020.

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 7, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**TROY AREA SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF
REVENUE AND EXPENDITURES - GENERAL FUND**

<i>Fiscal years ended June 30,</i>	<u>2021</u>	<u>2020</u>
Revenue		
Local sources:		
Taxes:		
Current real estate taxes	\$ 7,071,584	\$ 7,022,189
Per capita	51,707	49,006
Realty transfer and earned income	1,322,702	1,226,528
Public utility realty tax	8,497	7,734
Payment in lieu of taxes	14,162	13,953
Delinquent real estate taxes	400,980	349,558
Total tax revenue	<u>8,869,632</u>	<u>8,668,968</u>
Interest earnings	13,900	76,351
Federal revenue received from intermediate and local sources	358,637	294,639
Rentals	18,100	20,434
Community service activities	33,360	36,195
Receipts from other LEAs in Pennsylvania	73,994	37,439
Miscellaneous	29,896	34,446
Total local sources	<u>9,397,519</u>	<u>9,168,472</u>
State sources:		
Basic instructional subsidy	9,801,733	9,795,199
Tuition	70,385	72,270
Rental	683,064	562,178
Transportation	1,073,325	1,064,392
Special education	1,153,822	1,153,856
Social security and retirement	2,150,593	2,076,320
Vocational education	72,164	57,137
Health services	16,483	26,061
Extra grants	-	10,000
Property tax relief subsidy	341,517	341,767
Ready to learn block grant	310,736	310,736
Total state sources	<u>15,673,822</u>	<u>15,469,916</u>
Federal sources:		
Title I	273,512	310,277
COVID-19 - ESSER, GEER and Health and Safety	733,660	48,992
COVID-19 - IDEA	3,066	-
Title II	59,443	62,101
Title IV	19,951	4,245
Medical assistance reimbursement	76,087	58,634
Total federal sources	<u>1,165,719</u>	<u>484,249</u>
Other sources:		
Proceeds from the issuance of capital lease	133,282	-
Interfund transfer from capital reserve	56	-
Total revenue and other sources	<u>\$ 26,370,398</u>	<u>\$ 25,122,637</u>

Fiscal years ended June 30,**Expenditures****Instruction:**

	2021	2020
Regular programs	\$ 10,305,588	\$ 10,105,281
Special programs	4,207,006	3,747,698
Vocational education programs	788,111	679,859
Other instructional programs	101,666	106,731
Total instruction	<u>15,402,371</u>	<u>14,639,569</u>

Support services:

Pupil personnel	891,789	762,840
Instructional staff	<u>1,516,529</u>	<u>995,395</u>

Administration:

Board services	39,791	47,023
Board treasurer	374	-
Tax collections	59,500	55,119
Legal	65,964	81,393
Superintendent	286,427	533,992
Principals	936,716	967,232
Total administration	<u>1,388,772</u>	<u>1,684,759</u>

Other support services

Pupil health	220,796	223,184
Business	360,958	376,402
Operation and maintenance of plant services	2,426,185	2,228,084
Student transportation services	1,486,918	1,482,860
Central support services	303,906	297,635
Total other support services	<u>4,798,763</u>	<u>4,608,165</u>
Total support services	<u>8,595,853</u>	<u>8,051,159</u>

Noninstructional services:

Student activities	435,305	525,204
Total noninstructional services	<u>435,305</u>	<u>525,204</u>

Facilities, acquisitions, construction, and improvement

	-	-
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Other financing uses:

Debt service	2,546,145	2,338,469
Refund of prior years' receipts	-	12
Interfund transfer to capital reserve	36,026	25,624
Total other financing uses	<u>2,582,171</u>	<u>2,364,105</u>
Total expenditures and other financing uses	<u>27,015,700</u>	<u>25,580,037</u>

**Excess (deficiency) of revenue and other sources
over expenditures and other financing uses**

	<u>\$ (645,302)</u>	<u>\$ (457,400)</u>
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TROY AREA SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS – ACTIVITY FUND
JULY 1, 2020 THROUGH JUNE 30, 2021

Jr./Sr High School	Balances July 01, 2020	Total Receipts 2020-21	Total Receipts & Balances	Total Payments 2020-21	Balances June 30, 2021
Class of 2020	\$ 9,230	\$ 1	\$ 9,231	\$ 9,231	\$ -
Class of 2021	6,242	10,484	16,726	16,726	-
Class of 2022	4,223	13,513	17,736	541	17,195
Class of 2023	1,279	337	1,616	572	1,044
Class of 2024	2,062	103	2,165	2	2,163
Class of 2025	2,757	3	2,760	2	2,758
NHS	3,606	121	3,727	1,350	2,377
NJHS	621	102	723	102	621
Student Faculty Senate	4,853	4,538	9,391	3,603	5,788
Jr. Student Faculty Senate	3,009	1,865	4,874	772	4,102
Yearbook	10,625	1,576	12,201	3,431	8,770
Jr. High Special Learning	1,891	476	2,367	2	2,365
Choral	6,849	81	6,930	127	6,803
Band	1,348	351	1,699	767	932
Track	959	2	961	1	960
Leo	1,657	174	1,831	21	1,810
Ski	178	1	179	-	179
Fall Cheerleading	5,381	257	5,638	1,632	4,006
Comp Cheer	4,468	5	4,473	3	4,470
G. Basketball	2	-	2	-	2
Jr. Basketball	408	-	408	311	97
Volleyball	116	-	116	1	115
Jr. Volleyball	300	-	300	-	300
Lettermen	4,447	7	4,454	3	4,451
Cross Country	97	-	97	-	97
Jr. Cross Country	202	-	202	-	202
Wrestling	2,017	3	2,020	2	2,018
Jr. Wrestling	1,139	2	1,141	1	1,140
B. Basketball	2,411	-	2,411	2,411	-
Jr. Football	821	2	823	1	822
Softball	1,638	1	1,639	800	839
Baseball	96	1	97	-	97
B. Soccer	(2)	-	(2)	-	(2)
G. Soccer	471	473	944	472	472
Graduation	797	2	799	1	798
School Play	27,095	2,889	29,984	14,972	15,012
Interact	233	1	234	-	234
FBLA	2,568	6	2,574	198	2,376
FFA	10,906	11,479	22,385	9,419	12,966
Scholarship Challenge	930	201	1,131	1	1,130
Spanish	1,168	1	1,169	316	853
General	100	1,159	1,259	672	587
Fit Club	918	2	920	1	919
Speech & Debate	1,123	1,038	2,161	280	1,881
Literary Magazine	-	47	47	-	47
Total Jr./Sr High funds	\$ 131,239	\$ 51,304	\$ 182,543	\$ 68,747	\$ 113,796

Beginning and ending balance represent cash on-hand. As of June 30, 2021 the extraclassroom activity fund had an amount due from the general fund in the amount of \$334.

TROY AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2021

District Plan - Other Post Employment Benefits

As of the measurement date of July 1,	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 185,038	\$ 187,103	\$ 243,436	\$ 245,623
Interest	109,042	97,268	126,078	99,056
Differences between expected and actual experience	1,543,862	-	(836,203)	-
Changes in assumptions	553,014	(89,478)	(3,411)	(633)
Benefit payments	(194,529)	(231,643)	(244,615)	(347,935)
Net change in total OPEB liability	2,196,427	(36,750)	(714,715)	(3,889)
Total OPEB liability - beginning	3,165,644	3,202,394	3,917,109	125,892
Prior period adjustment	-	-	-	3,795,106
Total OPEB liability - ending	<u>\$ 5,362,071</u>	<u>\$ 3,165,644</u>	<u>\$ 3,202,394</u>	<u>\$ 3,917,109</u>
Plan fiduciary net position				
Contributions - employer	\$ 194,529	\$ 231,643	\$ 244,615	\$ 347,935
Net investment income	-	-	-	-
Benefit payments	(194,529)	(231,643)	(244,615)	(347,935)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability	<u>\$ 5,362,071</u>	<u>\$ 3,165,644</u>	<u>\$ 3,202,394</u>	<u>\$ 3,917,109</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered-employee payroll	<u>\$ 9,617,914</u>	<u>\$ 9,426,682</u>	<u>\$ 9,426,682</u>	<u>\$ 8,897,475</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>55.75%</u>	<u>33.58%</u>	<u>33.97%</u>	<u>44.02%</u>

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 3.36% as of 7/1/19 to 1.86% as of 7/1/20

TROY AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2021

PSERS Plan - Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 27,000	\$ 28,000	\$ 26,000	\$ 29,000
Interest	44,000	46,000	46,000	42,000
Differences between expected and actual experience	6,000	(1,000)	9,000	1,000
Differences between projected and actual investment earnings	-	1,000	1,000	-
Administrative Expenses	-	-	(5,000)	(2,000)
Changes in assumptions	23,000	36,000	34,000	(75,000)
Changes in proportions	5,000	42,000	20,000	(112,000)
Benefit payments	(83,000)	(81,000)	(77,000)	(75,000)
Net change in total OPEB liability	22,000	71,000	54,000	(192,000)
Total OPEB liability - beginning	1,508,000	1,437,000	1,383,000	-
Prior period adjustment	-	-	-	1,575,000
Total OPEB liability - ending	<u>\$ 1,530,000</u>	<u>\$ 1,508,000</u>	<u>\$ 1,437,000</u>	<u>\$ 1,383,000</u>
Plan fiduciary net position				
Contributions - employer	\$ 83,000	\$ 81,000	\$ 77,000	\$ 75,000
Net investment income	-	-	-	-
Benefit payments	(83,000)	(81,000)	(77,000)	(75,000)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability	<u>\$ 1,530,000</u>	<u>\$ 1,508,000</u>	<u>\$ 1,437,000</u>	<u>\$ 1,383,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered-employee payroll	<u>\$ 9,935,162</u>	<u>\$ 9,784,377</u>	<u>\$ 9,273,918</u>	<u>\$ 9,037,479</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>15.40%</u>	<u>15.41%</u>	<u>15.50%</u>	<u>15.30%</u>

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 2.79% as of 6/30/19 to 2.66% as of 6/30/20

TROY AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2021

For the year ended June 30,	<i>District Plan - Other Post Employment Benefits</i>			
	2021	2020	2019	2018
Actuarially determined contributions	\$ 194,529	\$ 231,643	\$ 244,615	\$ 347,935
Contributions in relation to the actuarially determined contribution	(194,529)	(231,643)	(244,615)	(347,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,617,914	\$ 9,426,682	\$ 9,426,682	\$ 8,897,475
Contributions as a percentage of District's covered-employee payroll	2.02%	2.46%	2.59%	3.91%

Notes to Schedule:

Valuation date: 07/01/2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal Level % of Salary Method
Discount Rate 1.86% as of July 1, 2020

Healthcare cost trend rates 5.5% in 2020 through 2021, with a gradual Medical Cost Trend Modell decrease from 5.4% to 3.8% in 2075 and later based on the Society of Actuaries Long-Run

Salary increases Based on 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%

Mortality Based on PSERS defined pension plan actuarial valuation.

Retiree Cost Sharing Benefits for retirees vary based on employment contracts in effect at the date of retirement.
Participants 186 Active, 0 Vested Former Participant, and 20 Retirees

TROY AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2021

PSERS Plan - Health Insurance Premium Assistance Program

For the year ended June 30,	2021	2020	2019	2018
Actuarially determined contributions	\$ 83,000	\$ 81,000	\$ 77,000	\$ 75,000
Contributions in relation to the actuarially determined contribution	(83,000)	(81,000)	(77,000)	(75,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,935,162	\$ 9,784,377	\$ 9,273,918	\$ 9,037,479
Contributions as a percentage of District's covered-employee payroll	0.84%	0.83%	0.83%	0.83%

Notes to Schedule:

Valuation date: 06/30/2019 and actuarially rolled forward to 06/30/2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.66% as of June 30, 2020
Healthcare cost trend rates	Premium Assistance reimbursement is capped at \$1,200 per year.
Salary increases	2.25% per year
Mortality	RP-2014 Total Dataset Mortality Table fully generational using Scale MP-2015

TROY AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 20, 2020

Measurement date ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0707%	0.0709%	0.0689%	0.0679%	0.0731%	0.0696%	0.0714%	0.0724%
District's proportionate share of the net pension liability	\$ 34,812,000	\$ 33,169,000	\$ 33,075,000	\$ 33,535,000	\$ 36,226,000	\$ 30,147,000	\$ 28,261,000	\$ 29,368,000
District's covered-employee payroll	\$ 9,906,283	\$ 9,784,377	\$ 9,273,918	\$ 9,037,479	\$ 9,464,248	\$ 8,953,523	\$ 9,116,839	\$ 9,287,223
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	351.4133%	338.9996%	356.6454%	371.0659%	382.7668%	336.7055%	309.9868%	316.2194%
Plan fiduciary net position as a percentage of the total pension liability	54.3%	55.7%	54.0%	51.8%	50.1%	54.4%	57.2%	54.5%

TROY AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 20, 2020

Measurement date ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 3,304,736	\$ 3,189,707	\$ 2,943,542	\$ 2,638,944	\$ 2,366,062	\$ 1,835,472	\$ 1,458,694	\$ 1,068,031
Contributions in relation to the contractually required contribution	(3,304,736)	(3,189,707)	(2,943,542)	(2,638,944)	(2,366,062)	(1,835,472)	(1,458,694)	(1,068,031)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,906,283	\$ 9,784,377	\$ 9,273,918	\$ 9,037,479	\$ 9,464,248	\$ 8,953,523	\$ 9,116,839	\$ 9,287,223
Contributions as a percentage of covered-employee payroll	33.4%	32.6%	31.7%	29.2%	25.0%	20.5%	16.0%	11.5%

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

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Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Troy Area School District** and is presented on the modified accrual basis of accounting. The information in the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

Troy Area School District is the recipient of a non-monetary federal award program. During the year ended June 30, 2021, the District reported in the Schedule of Federal Awards \$72,298 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Costs

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

**TROY AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor	Source Code	Federal CFDA #	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Grant Received	7/1/20 Accrued (Deferred)	Revenue	Expenditure	6/30/21 Accrued (Deferred)
United States Department of Education:										
Passed through the Pennsylvania Department of Education										
Title 1, Part A	1	84.010	013-21-0433	07/1/2020 - 9/30/2021	\$ 370,171	\$ 219,829	\$ -	\$ 267,669	\$ 267,669	\$ 47,840
Title 1, Part A	1	84.010	013-20-0433	07/1/2019 - 9/30/2020	316,120	45,133	39,291	5,843	5,843	1
Title IIA	1	84.367	020-21-0433	07/1/2020 - 9/30/2021	55,639	51,408	-	55,639	55,639	4,231
Title IIA	1	84.367	020-20-0433	07/1/2019 - 9/30/2020	60,926	188	(3,616)	3,804	3,804	-
Title IV	1	84.424	144-21-0433	07/1/2020 - 9/30/2021	23,647	23,647	-	-	-	(23,647)
Title IV	1	84.424	144-20-0433	07/1/2019 - 9/30/2020	23,766	1,698	(4,673)	19,951	19,951	13,580
COVID-19 - Special Education Covid-19 Impact Mitigation Grant *	1	84.027	FA-252-20-433	07/1/2020 - 9/30/2021	11,355	3,785	-	3,066	3,066	(719)
COVID-19 - Elementary and Secondary School Emergency Relief Fund	1	84.425D	FA-200-20-0433	3/13/2020 - 9/30/2021	256,102	53,916	-	256,102	256,102	202,186
COVID-19 - Continuity of Education Equity Grant - GEER	1	84.425C	FA-253-20-0433	3/13/2020 - 9/30/2021	26,800	4,232	-	26,800	26,800	22,568
COVID-19 - Elementary and Secondary School Emergency Relief Fund II	1	84.425D	FS-200-21-0433	3/13/2020 - 9/30/2023	-	-	-	280,016	280,016	280,016
					<u>1,144,526</u>	<u>403,836</u>	<u>31,002</u>	<u>918,890</u>	<u>918,890</u>	<u>546,056</u>
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 - ESSER School Health & Safety Grant	7	84.425D	2020-ES-01-35373	03/13/20 - 9/30/2022	44,297	44,297	-	44,297	44,297	-
Passed through the BLaST Intermediate Unit #17										
IDEA 611 *	2	84.027	062-21-0009	07/1/2020 - 09/30/2021	325,851	142,000	-	325,851	325,851	183,851
IDEA 611 *	2	84.027	062-20-0009	07/1/2019 - 09/30/2020	292,341	292,341	292,341	-	-	-
IDEA 619 *	2	84.173	131-21-0017	07/1/2020 - 09/30/2021	2,784	-	-	2,784	2,784	2,784
					<u>620,976</u>	<u>434,341</u>	<u>292,341</u>	<u>328,635</u>	<u>328,635</u>	<u>186,635</u>
Passed through the Intermediate Unit #1										
COVID-19 - Troy Integrated Employment Support *	8	84.027	062-21-0032	01/6/2021 - 08/13/2021	30,000	-	-	30,000	30,000	30,000
Total U.S. Department of Education					<u>1,839,799</u>	<u>882,474</u>	<u>323,343</u>	<u>1,321,822</u>	<u>1,321,822</u>	<u>762,691</u>
U.S. Department of Treasury										
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 - School Health & Safety Grants	7	21.019	2020-CS-01-33942	03/1/2020 - 10/30/2020	175,437	175,437	48,992	126,445	126,445	-
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Human Services										
Medical Access	5	93.778	044-00-7433	07/1/2020 - 09/30/2021	12,951	10,355	5,251	12,951	12,951	7,847
U.S. Department of Agriculture:										
Passed through the Pennsylvania Department of Education										
COVID-19 National School Lunch Program - Seamless Summer Option**	3	10.555	362	07/1/2020 - 09/30/2021	n/a	512,811	5,985	534,371	534,371	27,545
COVID-19 School Breakfast Program - Seamless Summer Option**	3	10.553	362	07/1/2020 - 09/30/2021	n/a	209,160	3,761	215,852	215,852	10,453
					n/a	721,971	9,746	750,223	750,223	37,998
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - USDA Donated Food **	4	10.555	n/a	07/1/2020 - 09/30/2021	n/a	64,476	(23,775)	72,298	72,298	(15,953)
Total U.S. Department of Agriculture					n/a	<u>786,447</u>	<u>(14,029)</u>	<u>822,521</u>	<u>822,521</u>	<u>22,045</u>
Total Federal Assistance						<u>\$ 1,854,713</u>	<u>\$ 363,557</u>	<u>\$ 2,283,739</u>	<u>\$ 2,283,739</u>	<u>\$ 792,583</u>

Sources of Federal Funds are:

- (1) United States Department of Education passed through the Pennsylvania Department of Education
- (2) United States Department of Education passed through the Pennsylvania Department of Education, passed through to the BLaST Intermediate Unit #17
- (3) United States Department of Agriculture passed through the Pennsylvania Department of Education
- (4) United States Department of Agriculture value of donated food passed through the Pennsylvania Department of Agriculture
- (5) United States Department of Health and Human Services passed through the Pennsylvania Department of Human Services
- (6) United States Department of Treasury passed through the Pennsylvania Commission on Crime and Delinquency
- (7) United States Department of Education passed through the Pennsylvania Commission on Crime and Delinquency
- (8) United States Department of Education passed through the Pennsylvania Department of Education, passed through to the Intermediate Unit #1

* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures during the year ended June 30, 2021

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures during the year ended June 30, 2021

\$ 361,701
\$ 822,521

See accompanying independent auditor's report on supplementary information.

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

**To the President and
Members of the Board of Education
Troy Area School District
Troy, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of *Troy Area School District*, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise *Troy Area School District’s* basic financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

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

Purpose of this Report

This report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provided an opinion of 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 7, 2021**



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

**To the President and
Members of the Board of Education
Troy Area School District
Troy, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited *Troy Area School District* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of *Troy Area School District's* major federal programs for the year ended June 30, 2021. *Troy Area School District's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of *Troy 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Troy 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 legal determination on *Troy Area School District's* compliance.

Opinion on Each Major Federal Program

In our opinion, *Troy 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 *Troy 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 *Troy 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 in order 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 the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Report on Internal Control Over Compliance (continued)

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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

This report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 7, 2021**

**TROY AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> </u> x	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> </u> x	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> </u> x	<u> </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> </u> x	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> </u> x	<u> </u> none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)

<u> </u> yes	<u> </u> x	<u> </u> no
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Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u>\$ 2,283,739</u>

Identification of Major Programs Tested:

U.S. Department of Agriculture - COVID-19 National School Lunch Program - Seamless Summer Option **	10.555	\$ 534,371
U.S. Department of Agriculture - COVID-19 School Breakfast Program - Seamless Summer Option**	10.553	215,852
U.S. Department of Agriculture - National School Lunch Program - USDA Donated Food **	10.555	<u>72,298</u>
Total major programs tested		<u>\$ 822,521</u>
% of Federal programs tested		<u>36%</u>

** Constitutes a cluster of Federal programs

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

\$ 750,000

Auditee qualified as low risk?

<u> </u> x	<u> </u> yes	<u> </u> no
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**TROY AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

II. FINANCIAL STATEMENT AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2021

No findings related to internal control over financial reporting are being reported upon during the fiscal year ended June 30, 2021.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2021

No findings related to compliance and other matters are being reported upon during the fiscal year ended June 30, 2021.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2021

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2021.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2021

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2021.

I. FINANCIAL STATEMENT AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2020

There were no findings related to internal control over financial reporting during the year ended June 30, 2020.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2020

There were no findings related to compliance and other matters during the year ended June 30, 2020.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2020

There were no findings related to compliance during the year ended June 30, 2020.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2020

There were no findings related to internal control over compliance during the year ended June 30, 2020.



**To the President and Members of
The Board of Education
Troy Area School District
Troy, Pennsylvania**

To the Board Members and Administration:

We have completed our audit of the District's financial statements for the fiscal year ended June 30, 2021 and have issued our reports thereon dated December 7, 2021. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles in the United States of America for governments and school districts located in the Commonwealth of Pennsylvania. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Troy Area School District* for the year ended June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a summary of additional comments which we desire to bring to the Board and Administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. In addition, attached to this letter is a summary of revenue and expense comparisons and analysis of fund equity for the school years ended June 30, 2017 through June 30, 2021.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 7, 2021**

TROY AREA SCHOOL DISTRICT**REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)****Page 63**

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Revenue and other sources					
Tax revenue	\$ 8,870	\$ 8,669	\$ 8,697	\$ 8,430	\$ 8,061
Other local sources	528	500	507	502	456
State aid	15,674	15,470	15,169	14,882	14,633
Federal aid	1,166	484	459	430	475
Capital lease, bond refunding, and other	133	-	8,922	27	269
	<u>26,371</u>	<u>25,123</u>	<u>33,754</u>	<u>24,271</u>	<u>23,894</u>
Expenditures and other uses					
Instruction	15,402	14,640	14,276	13,631	12,668
Administration	1,389	1,685	1,435	1,333	1,377
Other support services	7,207	6,366	6,124	6,064	5,681
Noninstructional services	435	525	528	520	500
Facilities acquisition and construction	-	-	1	-	-
Debt service	2,546	2,338	2,393	2,395	2,388
Bond refunding and other	-	-	8,920	-	-
Transfers to other funds	36	26	77	-	566
	<u>27,015</u>	<u>25,580</u>	<u>33,754</u>	<u>23,943</u>	<u>23,180</u>
Excess (deficiency) of revenue over expenditures	(644)	(457)	-	328	714
Fund equity					
Beginning of year	6,925	7,382	7,382	7,054	6,340
End of year	<u>\$ 6,281</u>	<u>\$ 6,925</u>	<u>\$ 7,382</u>	<u>\$ 7,382</u>	<u>\$ 7,054</u>

Policy Review

We recommend that the District work with its school solicitor to assist in the interpretation of Policy 612, *Purchases not Budgeted*, determine whether it is in conformity with State law and determine if current practice requires modification. If procedural changes are warranted, they should be clearly defined to avoid future misinterpretation.

We recommend that the District determine whether Policy 610, *Purchases Subject to Bid/Quotation*, should be modified to include the use of state contract in-lieu of competitive bidding.

GASB 87- Accounting for Leases

In 2017, the Governmental Accounting Standards Board issued Statement No. 87, Accounting for Leases, which will be effective for the fiscal year ending June 30, 2022. The primary objective of this is new standard is to bring most leases onto the balance sheet. The goal is to determine if any operating leases contain a right-to-use asset and record an asset and liability related to that lease. Also under the new standard there will be changes in the terms used for the two classifications; operating leases and finance leases (previously capital leases). We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new lease standard, which may include continuing education, webinars and further training.

Student Activities' Point of Sale Records

We recommend the District continue its efforts of ensuring each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor and be verified or reviewed by the central treasurer.
