



INTERBORO SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

INTERBORO SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

December 20, 2021

Board of School Directors
Interboro School District
Prospect Park, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Interboro School District ("the District"), Prospect Park, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

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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 polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Interboro School District as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 20 to the financial statements, in 2021, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions- PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule District OPEB contributions - PSERS, and schedule of the District's net OPEB liability and related ratios - single employer plan on pages 58 through 62 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 for Federal Awards* ("Uniform Guidance"), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2021**

INTRODUCTION

Our discussion and analysis of the Interboro School District's ("the District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District's governmental activities exceeded its assets and deferred outflows of resources at the close of the 2021 fiscal year by \$109,876,166 (negative net position). Total current assets exceed current liabilities by \$7,825,798. This compares with negative net position of \$112,875,718 (negative net position) and current assets exceeding current liabilities by \$6,671,046 at the close of the 2020 fiscal year. The negative net position is the result of recording the District's proportionate share of net pension liability and deferred pension amounts in accordance with GASB Statement No. 68 (implemented during 2015) and recording the District's postemployment benefits other than pensions liability and proportionate share of cost-sharing postemployment benefits other than pensions liability and deferred amounts in accordance with GASB Statement No. 75 (implemented during 2018).
- As of the close of the current fiscal year, total fund balance for the general fund was \$6,124,675, of which \$25,000 is committed for marching band uniforms. In addition, \$42,760 of the total fund balance is nonspendable for inventory and prepaid expenditures, while \$251,060 is restricted to special education and local contributions. The remaining unassigned fund balance is \$5,805,855. Total fund balance for the general fund at the end of the 2020 fiscal year was \$3,199,676.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general operations of public education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the bond fund, which are considered to be major funds. Data for the other fund is presented as a non-major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The District maintains one proprietary fund, which is food service. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food service function.

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's governmental activities had negative net position of \$109,876,166 at the close of the fiscal year ended June 30, 2021 and negative net position of \$112,875,718 at the close of the fiscal year ended June 30, 2020.

The following table reflects the current and prior year's information:

**INTERBORO SCHOOL DISTRICT'S
NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 19,018,816	\$ 17,947,120	\$ (107,911)	\$ 51,532	\$ 18,910,905	\$ 17,998,652
Capital assets	50,536,607	50,649,031	361,582	377,833	50,898,189	51,026,864
Total assets	69,555,423	68,596,151	253,671	429,365	69,809,094	69,025,516
Deferred outflows of resources	20,482,549	16,533,388	-	-	20,482,549	16,533,388
Long-term liabilities						
Outstanding	179,975,634	174,695,927	-	-	179,975,634	174,695,927
Other liabilities	11,193,018	11,276,074	85,699	168,937	11,278,717	11,445,011
Total Liabilities	191,168,652	185,972,001	85,699	168,937	191,254,351	186,140,938
Deferred inflows of resources	8,745,486	12,033,256	-	-	8,745,486	12,033,256
Net Position (Deficit):						
Net investment in capital assets	(338,750)	(206,972)	361,582	377,833	22,832	170,861
Restricted	3,875,401	5,486,666	-	-	3,875,401	5,486,666
Unrestricted (deficit)	(113,412,817)	(118,155,412)	(193,610)	(117,405)	(113,606,427)	(118,272,817)
Total Net Position (Deficit)	\$ (109,876,166)	\$ (112,875,718)	167,972	260,428	\$ (109,708,194)	\$ (112,615,290)

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Governmental Activities

Governmental activities increased the District's net position by \$2,999,552 for the year ended June 30, 2021 and decreased net position by \$188,787 for the year ended June 30, 2020. Key elements of this increase/decrease are displayed on the following chart.

Business-type Activities

Business-type activities, comprised of the District's food service fund, decreased the District's net position by \$92,456 for the year ended June 30, 2021, and decreased the District's net position by \$84,298 for the year ended June 30, 2020.

**INTERBORO SCHOOL DISTRICT'S
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 11,194	\$ 57,731	\$ 35,016	\$ 341,190	\$ 46,210	\$ 398,921
Operating grants	17,617,352	13,991,584	1,169,316	886,553	18,786,668	14,878,137
General Revenues:						
Property taxes	45,149,669	43,768,750	-	-	45,149,669	43,768,750
Other taxes	1,034,381	918,697	-	-	1,034,381	918,697
Grants, not restricted to specific programs	9,247,681	9,247,692	-	-	9,247,681	9,247,692
Investment income	42,330	111,012	-	-	42,330	111,012
Miscellaneous income	1,285,741	991,576	-	-	1,285,741	991,576
Sale of fixed assets	22,225	-	-	(28,012)	22,225	(28,012)
Total Revenues	<u>74,410,573</u>	<u>69,087,042</u>	<u>1,204,332</u>	<u>1,199,731</u>	<u>75,614,905</u>	<u>70,286,773</u>
Expenses:						
Instruction	43,737,284	43,209,151	-	-	43,737,284	43,209,151
Instructional support services	6,253,596	5,830,361	-	-	6,253,596	5,830,361
Administrative and financial support services	9,362,527	7,683,827	-	-	9,362,527	7,683,827
Operation and maintenance of plant services	6,741,492	6,600,196	-	-	6,741,492	6,600,196
Pupil transportation	2,185,367	3,029,592	-	-	2,185,367	3,029,592
Student activities	642,048	942,808	-	-	642,048	942,808
Community services	135,707	85,177	-	-	135,707	85,177
Interest on long-term debt	2,353,000	1,894,717	-	-	2,353,000	1,894,717
Food service	-	-	1,296,788	1,284,029	1,296,788	1,284,029
Total Expenses	<u>71,411,021</u>	<u>69,275,829</u>	<u>1,296,788</u>	<u>1,284,029</u>	<u>72,707,809</u>	<u>70,559,858</u>
Change in Net Position (Deficit)	2,999,552	(188,787)	(92,456)	(84,298)	2,907,096	(273,085)
Beginning Net Position (Deficit)	<u>(112,875,718)</u>	<u>(112,686,931)</u>	<u>260,428</u>	<u>344,726</u>	<u>(112,615,290)</u>	<u>(112,342,205)</u>
Ending Net Position (Deficit)	<u>\$ (109,876,166)</u>	<u>\$ (112,875,718)</u>	<u>\$ 167,972</u>	<u>\$ 260,428</u>	<u>\$ (109,708,194)</u>	<u>\$ (112,615,290)</u>

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. As of June 30, 2021 and 2020, the fund balance of the District's general fund was \$6,124,675 and \$3,199,676, respectively.

General fund revenues and other financing sources of the District came from three basic sources. The largest source was provided by local funding (including other financing sources) totaling \$44,924,737 (60.8 percent) and \$43,260,263 (63.1 percent) for the years ended June 30, 2021 and 2020, respectively, of which \$40,953,826 and \$39,924,305 were current property tax revenues. State funding amounted to \$24,346,376 (33.0 percent) and \$23,548,138 (34.4 percent); federal funding amounted to \$4,548,636 (6.2 percent) and \$1,696,951 (2.5 percent) for the years ended June 30, 2021 and 2020, respectively.

State and federal funding continue to provide a relatively small percentage (38.2 percent) of total District revenue and other financing sources. This compels the District to rely primarily on the local tax levying powers provided by the Pennsylvania Public School Code and the Local Tax Enabling Act (Act 511 of 1965) to fund the revenue shortfall in order to operate the District.

General fund expenditures and other financing uses of the District fall into six major categories and are summarized below for the years ended June 30, 2021 and 2020:

	Expenditures 2021	%	Expenditures 2020	%
Instruction	\$ 43,144,612	60.8%	\$ 42,522,979	62.2%
Support Service	22,732,493	32.1%	20,570,598	30.1%
Non-instructional	713,630	1.0%	951,995	1.4%
Capital Outlay	-	0.0%	31,138	0.0%
Refund Prior Years' Revenue	3,825	0.0%	10,332	0.0%
Debt Service	4,300,190	6.1%	4,292,980	6.3%
TOTAL	\$ 70,894,750	100.0%	\$ 68,380,022	100.0%

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Capital Projects Funds

The capital projects funds (the Bond Fund and the Capital Reserve Fund, a nonmajor fund) have total fund balances of \$3,624,341 and \$5,127,798 as of June 30, 2021 and 2020, respectively.

Proprietary Fund

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The proprietary fund has net position of \$167,972 and \$260,428 as of June 30, 2021, and 2020, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's expenditures and other financing uses of \$70,894,750 for the fiscal year ended June 30, 2021 was lower than the adopted final budget of \$71,686,416 by a total \$791,666. During the 2020 - 2021 fiscal year, the District received federal funding as part of COVID-19 relief that was not budgeted for due to the timing of the information regarding these grants. The District received \$1,719,398 in ESSER federal grants. The funds were used for the purchase of educational software, technology equipment, classroom furniture, and disinfectant and cleaning supplies. This allowed the District to provide a safe in-person learning environment. In addition, the District received \$931,625 in CARES Relief Funds, COVID-19 Relief Grant, and Pre-K Cares Grant. These funds were used to promote safe in-person learning for grades by purchasing equipment for technology, educational software, classroom furniture, and PPE's. Special education and ELL costs through the Delaware County Intermediate were less than budgeted by \$180,000 due to COVID-19 and the District taking back the ELL program in-house. Tuition for various private schools, vocational, and charter schools was less than budgeted by \$426,085 due in part to COVID-19 and students attending the virtual classes at the District as opposed to attending outside charter schools, and certain students returning to the District from private/vocational schools. In addition, the cost of various professional services for students declined. Actual costs for the District facilities was \$170,600 less than budgeted. This was due in part to a reduction in energy usage and building repair and maintenance. The purchase of capital equipment and various other projects were postponed until the 2022 - 2023 fiscal year. Contracted transportation of students, gasoline/diesel costs, and bus repair and maintenance were approximately \$107,271 less than budgeted due to students attending classes virtually as opposed to in person. Administrative and instructional salaries were approximately \$514,260 less than budgeted as a result of less students attending in-person classes and the increase in medical leaves due to COVID-19. In addition, there were retirements during the year of the higher salaried teachers. Transportation salaries and athletic salaries were less than budgeted by \$161,250 and \$105,965, respectively. This is due in part to students attending virtual classes resulting in less students being transported, and the cancellation of various sporting events and/or seasons due to COVID-19. As a result of the salaries being less than budgeted as discussed, the employer's share of the retirement contribution and social security came in under budget by approximately \$567,000.

The District's revenues and other financing sources of \$73,819,749 for the fiscal year ended June 30, 2021 were greater than the adopted final budget by \$2,007,374. The most significant variances were the actual school real estate taxes collected, which were approximately \$574,963 less than budgeted;

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

this number represents 1.4 percent of the total school real estate taxes budgeted. Actual real estate transfer taxes and delinquent real estate taxes were \$377,500 and \$370,976 higher than budgeted. The increase in delinquent real estate taxes is partly due to a decrease in current real estate tax collections in the prior years. The increase in transfer taxes was due partly to the sale of a large industrial complex and an increase District-wide of residential home sales due to favorable interest rates. In addition, parking lot taxes collected were \$255,968 less than the budgeted amount of \$565,223. This was due mostly to the COVID-19 travel restrictions, which resulted in less cars parking at the Philadelphia International Airport. As part of the COVID-19 relief efforts, the District received a local grant totaling \$667,699, which was not budgeted for as this grant was created after the budget process for 2020 - 2021. During the 2020 - 2021 fiscal year, there were several federally funded COVID-19 relief grants which were not part of the budget process in the spring of 2020, as these grants were still in the infancy stages. The total non-budgeted ESSER funds received in 2020 - 2021 totaled \$1,719,398. In addition, the District received \$306,194 in Government Emergency Education Relief and School Safety and Security grants. Based on 2020 census data and certain demographic information, the District saw an increase in IDEA funding of \$164,118.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities, net of accumulated depreciation, amounts to \$50,536,607 and \$50,649,031 as of June 30, 2021 and 2020, respectively.

The investment in capital assets includes land, buildings and improvements, furniture, and equipment.

**INTERBORO SCHOOL DISTRICT'S
CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,674,131	\$ 1,674,131	\$ -	\$ -	\$ 1,674,131	\$ 1,674,131
Buildings and improvements	87,312,147	87,312,147	-	-	87,312,147	87,312,147
Machinery and equipment	23,600,966	21,404,266	914,005	891,304	24,514,971	22,295,570
Accumulated depreciation	(62,265,005)	(59,741,513)	(552,423)	(513,471)	(62,817,428)	(60,254,984)
	<u>\$ 50,322,239</u>	<u>\$ 50,649,031</u>	<u>\$ 361,582</u>	<u>\$ 377,833</u>	<u>\$ 50,683,821</u>	<u>\$ 51,026,864</u>

More detailed information about the District's capital assets can be found in footnotes to the financial statements section of this report.

Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$52,340,000. The District maintains an A rating from Standard and Poor's for general obligation debt.

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Additional information on the District's long-term debt can be found in the footnotes to the financial statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District began the year with \$3,199,676 in its fund balance for the General Fund. Decreased spending due to the effects of COVID-19 and decreases in revenues such as real estate taxes, parking lot taxes along with increases in transfer and delinquent real estate taxes and additional federal grants, such as ESSER, PCCD, and GEER, attributed to an increase in the total fund balance of \$2,924,999 at June 30, 2021. The fund balance is projected to be \$6.6 million at June 30, 2022. The fund balance provides the District with better flexibility to meet unexpected costs, the ability to manage future tax increases, and provides opportunities to define, plan, and meet future objectives, particularly regarding capital improvements. Over the past several years, the District has spent from its fund balance considerable amounts for its capital improvements/HVAC replacements to our schools and facilities, as well as technology equipment upgrades and replacement. However, with the need for additional improvements continuing to rise combined with minimal increases in state subsidies and federal grants (outside of the COVID-19 relief grants), our ability to keep pace without additional source of funds could be greatly reduced. Based on an independent feasibility study performed in the summer and fall of 2016, the following major projects are recommended to be performed over the next ten years: life safety and security systems for all buildings; elevator replacement at the Prospect Park School; courtyard infill for the Kindergarten Academy and the Glenolden School; door, locks, and hardware replacement at all buildings; window replacement in five of the six buildings; and major renovations to the high school and the South Avenue sports complex. Without the potential issuance of general obligation bonds, all these projects would currently be funded 100 percent from the General Fund's fund balance. The downside of issuing general obligation bonds is that the principal and interest payments would affect the fund balance usage. In addition to capital improvements District-wide, there is a line item in the budget for computer equipment replacement cycle which is every five years. In addition, as of June 30, 2022, \$136,192 is being restricted in the fund balance for capital improvements to the Tinicum School as part of the airport CEP agreement.

Despite the optimism that economic conditions are improving, the District as well as other Districts across the state are still feeling the effects of poor economic conditions over the past several years along with the COVID-19 economic effects. State funding is already stretched to its limit by various competing demands, and the COVID-19 relief funds are only temporary, leaving local funding sources to make up the difference. The balance between the educational needs of the students and the community's ability to pay has always been a constant battle faced by the District.

There was a reassessment done of all properties in Delaware County in 2020. The reassessments took effect in the 2021 - 2022. This resulted in a surge in assessment appeals that could negatively impact the District's ability to maintain its current level of real estate tax revenue in 2021 - 2022 and future fiscal years. In addition, investment interest rates have declined, which means that the District is making less on invested capital. The Capacity Enhancement Program of the Philadelphia Airport includes the acquisition of various taxable parcels that may increase the District's real estate taxes as the assessed values of the respective parcels in the agreement would increase per the terms of the CEP agreement.

**INTERBORO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2021**

Certain state funding such as the basic education and special education subsidies are likely to see small increases, if any, in 2021 - 2022 and future fiscal years. The state subsidy funding for the annual special education costs has not kept up with the actual expenditures incurred by the District for special education. The federal COVID-19 relief funding is only temporary and will be gone by September 2024. On the expenditure side of the financial statements, the State's inability to address the underfunded Pennsylvania State Education Retirement System (PSERS) places additional burden on the District. The portion that the District must pay is projected to increase from 34.94 percent (2021 - 2022) to 37.23 percent (2025 - 2026). These increases could add hundreds of thousands of dollars to the District's budget each year. The increasing cost of health benefits also places a burden on the District budget. In addition, the District must plan for future contractual increases in salary and wages.

As in previous years, the State continues to push more and more of its funding responsibility onto the District and its community. The District's experience was far less extreme than many of the Districts in the surrounding area, in part due to fiscal policies of the Board and Administration. In July 2006, Act 1 – The Taxpayer Relief Act, was passed by the Pennsylvania State Legislature. Act 1 prevents tax increases, unless approved by the community, above an index calculated by the State. However, certain allowances to this provision may be granted by the State. In addition, Act 1 provides for tax relief to the community which is to be funded by gambling revenues. Over the last 10 years the tax increases have been held at or below 3.2 percent, with a maximum of 3.2 percent in 2017 - 2018. During this time, the District has not increased real estate taxes above the adjusted index. The adjusted index for 2021 - 2022 is 4.0 percent, and the District used an index of 2.6 percent when preparing the budget for 2021 - 2022.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Interboro School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Interboro School District, Director of Finance, 900 Washington Avenue, Prospect Park, PA 19076.

BASIC FINANCIAL STATEMENTS

INTERBORO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(With Summarized Comparative Data for June 30, 2020)

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 12,253,464	\$ -	\$ 12,253,464	\$ 12,419,133
Investments	91,733	-	91,733	107,808
Taxes receivable, net of allowance	1,965,188	-	1,965,188	2,219,422
Internal balances	282,383	(282,383)	-	-
Due from other governments	3,805,314	171,885	3,977,199	2,674,205
Other receivables	244,624	-	244,624	180,538
Other assets	333,350	-	333,350	353,692
Inventories	2,027	2,587	4,614	20,973
Prepaid expenses	40,733	-	40,733	22,881
Land	1,674,131	-	1,674,131	1,674,131
Land improvements	2,914,932	-	2,914,932	2,914,932
Buildings and improvements	84,397,215	-	84,397,215	84,397,215
Furniture and equipment	23,600,966	914,005	24,514,971	22,295,570
Accumulated depreciation	(62,050,637)	(552,423)	(62,603,060)	(60,254,984)
TOTAL ASSETS	69,555,423	253,671	69,809,094	69,025,516
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension expenses	17,058,352	-	17,058,352	12,698,455
Deferred OPEB expenses	3,388,492	-	3,388,492	3,714,155
Deferred amount of refunding	35,705	-	35,705	120,778
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,482,549	-	20,482,549	16,533,388
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 90,037,972	\$ 253,671	\$ 90,291,643	\$ 85,558,904
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Cash overdraft	\$ -	\$ 646	\$ 646	\$ 61,611
Accounts payable	369,051	49,876	418,927	804,106
Accrued salaries, payroll withholdings, and benefits	6,745,240	-	6,745,240	6,629,696
Accrued interest payable	530,692	-	530,692	638,889
Unearned revenues	127,929	35,177	163,106	172,137
Other current liabilities	7,919	-	7,919	7,919
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and note payable, net	3,149,818	-	3,149,818	2,844,547
Capital lease payable	13,935	-	13,935	37,672
Accumulated compensated absences	248,434	-	248,434	248,434
Portion due or payable after one year:				
Bonds and note payable, net	51,370,818	-	51,370,818	53,208,133
Capital lease payable	-	-	-	13,395
Accumulated compensated absences	1,309,496	-	1,309,496	1,361,053
Net pension liability	112,068,000	-	112,068,000	105,167,000
Net OPEB liability	15,227,320	-	15,227,320	14,946,346
TOTAL LIABILITIES	191,168,652	85,699	191,254,351	186,140,938
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension expenses	4,420,000	-	4,420,000	6,876,000
Deferred OPEB	4,325,486	-	4,325,486	5,157,256
TOTAL DEFERRED INFLOWS OF RESOURCES	8,745,486	-	8,745,486	12,033,256
NET POSITION (DEFICIT):				
Net investment in capital assets	(338,750)	361,582	22,832	170,861
Restricted	3,875,401	-	3,875,401	5,486,666
Unrestricted (deficit)	(113,412,817)	(193,610)	(113,606,427)	(118,272,817)
TOTAL NET POSITION (DEFICIT)	(109,876,166)	167,972	(109,708,194)	(112,615,290)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 90,037,972	\$ 253,671	\$ 90,291,643	\$ 85,558,904

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

**INTERBORO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2021	2020
GOVERNMENTAL ACTIVITIES:								
Instruction	\$43,737,284	\$ 11,171	\$13,934,745	\$ -	\$ (29,791,368)	\$ -	\$ (29,791,368)	\$ (32,801,724)
Instructional student support	6,253,596	-	831,563	-	(5,422,033)	-	(5,422,033)	(5,057,134)
Administrative and financial support services	9,362,527	-	927,654	-	(8,434,873)	-	(8,434,873)	(6,784,827)
Operation and maintenance of plant services	6,741,492	-	404,844	-	(6,336,648)	-	(6,336,648)	(6,202,923)
Pupil transportation	2,185,367	-	789,768	-	(1,395,599)	-	(1,395,599)	(2,140,702)
Student activities	642,048	23	68,337	-	(573,688)	-	(573,688)	(795,787)
Community services	135,707	-	40,315	-	(95,392)	-	(95,392)	(81,677)
Interest on long-term debt	2,353,000	-	620,126	-	(1,732,874)	-	(1,732,874)	(1,361,740)
TOTAL GOVERNMENTAL ACTIVITIES	71,411,021	11,194	17,617,352	-	(53,782,475)	-	(53,782,475)	(55,226,514)
BUSINESS-TYPE ACTIVITIES:								
Food service	1,296,788	35,016	1,169,316	-	-	(92,456)	(92,456)	(56,286)
TOTAL BUSINESS-TYPE ACTIVITIES	1,296,788	35,016	1,169,316	-	-	(92,456)	(92,456)	(56,286)
TOTAL PRIMARY GOVERNMENT	\$72,707,809	\$ 46,210	\$18,786,668	\$ -	(53,782,475)	(92,456)	(53,874,931)	(55,282,800)
GENERAL REVENUES								
Property taxes levied for general purposes					45,149,669	-	45,149,669	43,768,750
Taxes levied for specific purposes					1,034,381	-	1,034,381	918,697
Grants and entitlements not restricted to specific programs					9,247,681	-	9,247,681	9,247,692
Investment earnings					42,330	-	42,330	111,012
Miscellaneous					1,285,741	-	1,285,741	991,576
Gain (loss) on sale of assets					22,225	-	22,225	(28,012)
TOTAL GENERAL REVENUES					56,782,027	-	56,782,027	55,009,715
CHANGE IN NET POSITION (DEFICIT)					2,999,552	(92,456)	2,907,096	(273,085)
NET POSITION (DEFICIT), BEGINNING OF YEAR					(112,875,718)	260,428	(112,615,290)	(112,342,205)
NET POSITION (DEFICIT), END OF YEAR					\$ (109,876,166)	\$ 167,972	\$ (109,708,194)	\$ (112,615,290)

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

**INTERBORO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021
(With Summarized Comparative Data for June 30, 2020)**

	Major Funds			Totals	
	General Fund	Bond Fund	Nonmajor Fund	2021	2020
ASSETS					
Cash and cash equivalents	\$ 8,603,357	\$ 3,649,275	\$ 832	\$ 12,253,464	\$ 12,419,133
Investments	91,733	-	-	91,733	107,808
Taxes receivable	1,965,188	-	-	1,965,188	2,219,422
Due from other funds	297,409	-	-	297,409	164,702
Due from other governments	3,805,314	-	-	3,805,314	2,623,411
Inventory	2,027	-	-	2,027	2,674
Other receivables	244,624	-	-	244,624	174,023
Prepaid expenditures	40,733	-	-	40,733	22,881
TOTAL ASSETS	<u>\$ 15,050,385</u>	<u>\$ 3,649,275</u>	<u>\$ 832</u>	<u>\$ 18,700,492</u>	<u>\$ 17,734,054</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 358,311	\$ 10,740	\$ -	\$ 369,051	\$ 741,019
Accrued salaries, payroll withholdings, and benefits	6,745,240	-	-	6,745,240	6,629,696
Other liabilities	7,919	-	-	7,919	7,919
Unearned revenue - other	127,929	-	-	127,929	127,898
Due to other funds	-	15,026	-	15,026	140,626
TOTAL LIABILITIES	<u>7,239,399</u>	<u>25,766</u>	<u>-</u>	<u>7,265,165</u>	<u>7,647,158</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - delinquent taxes	1,686,311	-	-	1,686,311	1,759,422
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,686,311</u>	<u>-</u>	<u>-</u>	<u>1,686,311</u>	<u>1,759,422</u>
FUND BALANCES:					
Nonspendable	42,760	-	-	42,760	25,555
Restricted	251,060	3,623,509	-	3,874,569	5,485,834
Committed	25,000	-	-	25,000	25,000
Assigned	-	-	832	832	832
Unassigned	5,805,855	-	-	5,805,855	2,790,253
TOTAL FUND BALANCES	<u>6,124,675</u>	<u>3,623,509</u>	<u>832</u>	<u>9,749,016</u>	<u>8,327,474</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 15,050,385</u>	<u>\$ 3,649,275</u>	<u>\$ 832</u>	<u>\$ 18,700,492</u>	<u>\$ 17,734,054</u>

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

**INTERBORO SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 9,749,016

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

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

Land	\$ 1,674,131	
Land improvements	2,914,932	
Buildings and improvements	84,397,215	
Furniture and equipment	23,600,966	
Accumulated depreciation	<u>(62,050,637)</u>	50,536,607

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

Bonds and note payable, net	(54,520,636)	
Capital lease payable	(13,935)	
Accumulated compensated absences	(1,557,930)	
Accrued interest payable	(530,692)	
Net pension liability	(112,068,000)	
Net OPEB liability	<u>(15,227,320)</u>	(183,918,513)

Long-term receivables are not recorded in the funds. 333,350

Refunded debt resulted in deferred inflows of resources which will be amortized over the life of the new debt but do not represent current rights. 35,705

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

Deferred outflows of resources:		
Deferred amounts related to pension	17,058,352	
Deferred inflows of resources:		
Deferred amounts related to pension	<u>(4,420,000)</u>	12,638,352

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

Deferred outflows of resources:		
Deferred amounts related to OPEB	3,388,492	
Deferred inflows of resources:		
Deferred amounts related to OPEB	<u>(4,325,486)</u>	(936,994)

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 1,686,311

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (109,876,166)

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

INTERBORO SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)

	Major Funds		Nonmajor Fund	Totals	
	General Fund	Bond Fund		2021	2020
REVENUES					
Local sources	\$ 44,471,450	\$ 12,735	\$ -	\$ 44,484,185	\$ 43,144,906
State sources	24,346,376	-	-	24,346,376	23,548,138
Federal sources	4,548,636	-	-	4,548,636	1,696,951
TOTAL REVENUES	<u>73,366,462</u>	<u>12,735</u>	<u>-</u>	<u>73,379,197</u>	<u>68,389,995</u>
EXPENDITURES					
Current:					
Instruction	43,144,612	-	-	43,144,612	42,522,979
Support services	22,732,493	-	-	22,732,493	20,570,598
Operation of noninstructional services	713,630	-	-	713,630	951,995
Capital outlays	-	1,870,542	-	1,870,542	392,040
Debt service	4,300,190	631,427	-	4,931,617	4,292,980
TOTAL EXPENDITURES	<u>70,890,925</u>	<u>2,501,969</u>	<u>-</u>	<u>73,392,894</u>	<u>68,730,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,475,537</u>	<u>(2,489,234)</u>	<u>-</u>	<u>(13,697)</u>	<u>(340,597)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenditures	431,062	-	-	431,062	115,385
Refund of prior year revenues	(3,825)	-	-	(3,825)	(10,332)
Proceeds from sale of assets	22,225	-	-	22,225	-
Issuance of debt	-	25,745,000	-	25,745,000	23,885,000
Payment of debt - refunding	-	(24,847,610)	-	(24,847,610)	(20,624,256)
Bond premiums	-	88,387	-	88,387	2,190,701
TOTAL OTHER FINANCING SOURCES	<u>449,462</u>	<u>985,777</u>	<u>-</u>	<u>1,435,239</u>	<u>5,556,498</u>
NET CHANGE IN FUND BALANCES	2,924,999	(1,503,457)	-	1,421,542	5,215,901
FUND BALANCES, BEGINNING OF YEAR	<u>3,199,676</u>	<u>5,126,966</u>	<u>832</u>	<u>8,327,474</u>	<u>3,111,573</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,124,675</u>	<u>\$ 3,623,509</u>	<u>\$ 832</u>	<u>\$ 9,749,016</u>	<u>\$ 8,327,474</u>

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

**INTERBORO SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,421,542
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. This is the amount by which depreciation (\$2,523,492) exceeded capital outlays (\$2,411,068) in the period.	(112,424)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues, net of change in allowance decreased by this amount this year.	(73,111)
Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which debt repayments, net of premiums, discounts, and deferred amounts on refunding exceeds proceeds from debt refunding.	1,446,971
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid were less than current period compensated absences earned.	
Compensated absences	51,557
In the statement of activities, certain operating revenues – split dollar insurance premiums – are measured by the amounts earned during the year. In the governmental funds, however, revenues for these items are measured by the amount of financial resources received (essentially, the amounts actually received). This is the amount by which current period premiums refunded exceeded premiums paid.	
Split dollar premiums receivable	(20,341)
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.	108,197
In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals exceeds pension contributions during the year.	118,659
In the statement of activities, OPEB expense reflects the change in net OPEB liability, net of deferrals. In the governmental funds, however, OPEB expenditures reflect payments made to fund the OPEB plan. This is the amount by which the change in net OPEB liability and related deferrals exceeds OPEB contributions during the year.	58,502
CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,999,552</u>

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

**INTERBORO SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 44,476,882	\$ 44,476,882	\$ 44,471,450	\$ (5,432)
State sources	24,295,924	24,295,924	24,346,376	50,452
Federal sources	3,039,569	3,039,569	4,548,636	1,509,067
TOTAL REVENUES	<u>71,812,375</u>	<u>71,812,375</u>	<u>73,366,462</u>	<u>1,554,087</u>
EXPENDITURES				
Instruction:				
Regular programs	30,389,228	30,519,736	29,974,893	544,843
Special programs	11,863,081	11,689,483	11,162,357	527,126
Vocational Programs	925,827	925,827	925,827	-
Other instructional programs	548,457	392,142	266,094	126,048
Non-public programs	-	-	2,455	(2,455)
Community college education programs	366,926	387,516	372,802	14,714
Pre-Kindergarten	458,549	435,526	440,184	(4,658)
Total Instruction	<u>44,552,068</u>	<u>44,350,230</u>	<u>43,144,612</u>	<u>1,205,618</u>
Support services:				
Pupil personnel services	3,432,133	3,443,911	3,735,152	(291,241)
Instructional staff services	1,280,324	1,334,779	1,992,182	(657,403)
Administrative services	5,137,809	5,201,653	5,066,918	134,735
Pupil health	1,028,670	1,015,339	860,504	154,835
Business services	699,478	699,478	735,964	(36,486)
Operation and maintenance of plant services	5,232,998	5,225,883	4,895,003	330,880
Student transportation services	2,583,337	2,565,768	2,137,402	428,366
Central support services	2,059,224	2,188,855	3,271,698	(1,082,843)
Other support services	37,183	37,694	37,670	24
Total Support Services	<u>21,491,156</u>	<u>21,713,360</u>	<u>22,732,493</u>	<u>(1,019,133)</u>
Operation of noninstructional services:				
Student activities	800,260	801,260	577,923	223,337
Community services	112,003	120,727	135,707	(14,980)
Total Operation of Noninstructional Services	<u>912,263</u>	<u>921,987</u>	<u>713,630</u>	<u>208,357</u>
Capital outlays	9,500	-	-	-
Debt service	4,409,279	4,388,689	4,300,190	88,499
TOTAL EXPENDITURES	<u>71,374,266</u>	<u>71,374,266</u>	<u>70,890,925</u>	<u>483,341</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>438,109</u>	<u>438,109</u>	<u>2,475,537</u>	<u>2,037,428</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year revenue	(312,150)	(312,150)	(3,825)	308,325
Refund of prior year expenditures	-	-	431,062	431,062
Sale of capital assets	-	-	22,225	22,225
TOTAL OTHER FINANCING SOURCES (USES)	<u>(312,150)</u>	<u>(312,150)</u>	<u>449,462</u>	<u>761,612</u>
NET CHANGE IN FUND BALANCE	125,959	125,959	2,924,999	2,799,040
FUND BALANCE, BEGINNING OF YEAR	<u>3,142,636</u>	<u>3,142,636</u>	<u>3,199,676</u>	<u>57,040</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,268,595</u>	<u>\$ 3,268,595</u>	<u>\$ 6,124,675</u>	<u>\$ 2,856,080</u>

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

**INTERBORO SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021 AND 2020**

	Major Enterprise Fund	
	Food Service Fund	
	2021	2020
ASSETS:		
Due from other governments	\$ 171,885	\$ 50,794
Inventories	2,587	18,299
Furniture and equipment	914,005	891,304
Accumulated depreciation	(552,423)	(513,471)
TOTAL ASSETS	\$ 536,054	\$ 446,926
LIABILITIES:		
Cash overdraft	\$ 646	\$ 61,611
Accounts payable	49,876	58,354
Due to other funds	282,383	22,294
Unearned revenues	35,177	44,239
TOTAL LIABILITIES	368,082	186,498
NET POSITION:		
Investment in capital assets	361,582	377,833
Unrestricted (deficit)	(193,610)	(117,405)
TOTAL NET POSITION	167,972	260,428
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 536,054	\$ 446,926

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

**INTERBORO SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Major Enterprise Fund	
	Food Service Fund	
	2021	2020
OPERATING REVENUES		
Food service revenues	\$ 35,016	\$ 341,190
Total Operating Revenues	<u>35,016</u>	<u>341,190</u>
OPERATING EXPENSES		
Wages and benefits	134,484	14,726
Purchased professional and technical services	994,742	1,110,900
Purchased property services	46,779	48,277
Supplies	81,831	67,274
Depreciation	38,952	42,852
Total Operating Expenses	<u>1,296,788</u>	<u>1,284,029</u>
OPERATING LOSS	<u>(1,261,772)</u>	<u>(942,839)</u>
NONOPERATING REVENUES (EXPENSES)		
State sources	41,909	35,980
Federal sources	1,127,407	850,573
Loss on sale of equipment	-	(28,012)
Total Nonoperating Revenues	<u>1,169,316</u>	<u>858,541</u>
CHANGE IN NET POSITION	(92,456)	(84,298)
NET POSITION, BEGINNING OF YEAR	<u>260,428</u>	<u>344,726</u>
NET POSITION, END OF YEAR	<u>\$ 167,972</u>	<u>\$ 260,428</u>

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

**INTERBORO SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Major Enterprise Fund	
	Food Service Fund	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 25,954	\$ 360,976
Payments to suppliers	(781,070)	(1,309,490)
Payments to employees	(134,484)	(14,726)
NET CASH USED BY OPERATING ACTIVITIES	(889,600)	(963,240)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	37,150	39,807
Federal sources	936,116	850,058
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	973,266	889,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(22,701)	(20,262)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(22,701)	(20,262)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,965	(93,637)
CASH AND CASH EQUIVALENTS (OVERDRAFT), BEGINNING OF YEAR	(61,611)	32,026
CASH AND CASH EQUIVALENTS (OVERDRAFT), END OF YEAR	\$ (646)	\$ (61,611)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,261,772)	\$ (942,839)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	38,952	42,852
Donated commodities	74,959	66,962
(Increase) Decrease in:		
Inventories	15,712	(13,538)
Increase (Decrease) in:		
Accounts payable	(8,478)	17,351
Due to other funds	260,089	(153,814)
Unearned revenues	(9,062)	19,786
NET CASH USED BY OPERATING ACTIVITIES	\$ (889,600)	\$ (963,240)
<u>SUPPLEMENTAL DISCLOSURE</u>		
Noncash noncapital financing activity:		
USDA donated commodities	\$ 74,959	\$ 66,962

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

**INTERBORO SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2021**

	Private-purpose Trust Fund Scholarship Fund	Custodial Fund Student Activities Fund
ASSETS:		
Cash	\$ 28,922	\$ 90,500
Prepays	-	4,000
TOTAL ASSETS	\$ 28,922	\$ 94,500
 LIABILITIES AND NET POSITION:		
LIABILITIES		
Accounts payable	\$ -	\$ 12,628
TOTAL LIABILITIES	-	12,628
NET POSITION, RESTATED	28,922	81,872
TOTAL LIABILITIES AND NET POSITION	\$ 28,922	\$ 94,500

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

**INTERBORO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Private-purpose Trust Fund Scholarship Fund	Custodial Fund Student Activities Fund
REVENUES		
Contributions	\$ 51,171	\$ 26,909
Total Revenues	51,171	26,909
EXPENSES		
Scholarships	53,669	-
Other expenses	-	32,459
Total Expenses	53,669	32,459
CHANGE IN NET POSITION	(2,498)	(5,550)
NET POSITION, BEGINNING OF YEAR, RESTATED	31,420	87,422
NET POSITION, END OF YEAR	\$ 28,922	\$ 81,872

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

INTERBORO SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interboro School District ("the District") operates one kindergarten academy, four community schools, and one senior high school to provide education and related services to the residents of the Boroughs of Glenolden, Norwood, and Prospect Park and the Township of Tinicum. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member Board form of government.

The financial statements of the District are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units.

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

Financial Reporting Entity

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

Joint Ventures

The District participates in a joint venture with the other school districts of Delaware County, Pennsylvania in the operation of a Vocational-Technical School Authority ("DCVTSA"). The DCVTSA is governed by seven members. Each member must be a citizen of a school district where the DCVTSA leases a project. The DCVTSA oversees acquiring, holding, constructing, improving, and maintaining the public area vocational-technical school buildings. The financial statements of the Vocational-Technical School Authority are available from the DCVTSA located at 200 Yale Avenue, Morton, Pennsylvania 19070. The District also participates in a joint venture with other school districts of Delaware County, Pennsylvania to support the Delaware County Community College.

Jointly Governed Organization

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit ("the DCIU"). The DCIU is a regional education service

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of school board members from each participating district. The school board of each participating district must approve the annual operating budget of the DCIU, but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include curriculum development and instructional improvement, educational planning services, instructional material, continuing professional development, pupil personnel services, management services, and state and federal liaison services.

Basis of Presentation and Accounting

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental funds financial statements are prepared. Governmental funds financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Revenues, expenses, gains, losses, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions should be recognized in accordance with requirements of the GASB Codification.

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

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and proprietary funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Fiduciary funds are reported using the economic resources measurement focus.

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The District has presented the following major governmental funds:

- General Fund – The general fund is for the general operations of the District and all financial transactions not required to be accounted for in another fund.
- Bond Fund – The bond fund accounts for the proceeds of General Obligation Bonds for capital improvements.

Proprietary Fund

- Enterprise (Food Service) Fund – The enterprise fund accounts for the District's food service operations, which is maintained to account for operations that are financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, costs, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as established by the GASB Codification.

Fiduciary Fund Types

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs.

- Trust Fund – The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations.
- Custodial Fund – The custodial fund accounts for funds held on behalf of the students of the District.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of reporting cash flows for proprietary fund financial statements, cash and cash equivalents include cash on hand, amounts due from banks, and highly liquid investments with original maturities of less than 90 days.

Investments

Investments are stated at amortized cost, which approximates fair value. This method of valuation is in compliance with the GASB Codification.

Intergovernmental Receivables/Payables

During the course of operations, numerous transactions occur between governmental units for payment of services and subsidy payments. These receivables and payables are classified as intergovernmental receivables and payables on the balance sheet.

Inventories

Food service inventory is presented at the lower of cost or market. Cost is determined on a first in, first out basis and is expensed when used.

Compensated Absences

The District's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Capital Assets

Capital assets, which include land, land improvements, buildings and machinery, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

The District defines capital assets as assets with an initial, individual cost equal to or greater than \$3,000 or composite assets with a cost of more than \$10,000 and an estimated useful life in excess of one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	40 years
Land improvements	20 years
Furniture and equipment	5 - 20 years

Unavailable and Unearned Revenues

General fund unavailable revenues represent primarily delinquent taxes not collected within 60 days subsequent to the District's year-end, and unearned revenues represent grant revenue received but not yet earned. It is expected that these receivables will be collected and included in revenues of future fiscal years. The unearned revenues on the government-wide financial statements consist of grant revenue received but not yet earned.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns of the statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and payment of principal and interest reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

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

Fund Balance

The GASB Codification establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type, and permanent fund type are clarified by the provisions in this statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid expenditures or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- *Restricted fund balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

- *Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal action (Board motion) of the Board of School Directors – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the School Board removes the specified use by taking the same type of action imposing the commitment.
- *Assigned fund balance* – This classification reflects amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of School Directors has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- *Unassigned fund balance* – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

Use of Fund Balance

The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated; then committed, assigned, and unassigned in that order as needed.

Net Position

Net position represents the difference between assets and deferred outflows resources and liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Implementation of GASB Statement No. 84

During the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board Statement No. 84 ("GASB 84"). GASB 84 provides new and expanded guidance for financial reporting for governmental entities reporting fiduciary activities. The

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

implementation of GASB 84 has resulted in changes to the District's financial reporting. Under GASB 84, all fiduciary funds are now required to report both a statement of fiduciary net position and a statement of changes in fiduciary net position.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance Corporation limit. These may be bonds of the United States of America, any state of the United States of America or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, \$12,504,315 of the District's bank balance of \$12,855,501 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 12,504,315
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Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America; (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth; (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; (d) shares of an investment company registered under the Investment Company Act of 1940; or (e) deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC"), the Federal Savings and Loan Insurance Corporation ("FSLIC"), or the National Credit Union Share Insurance Fund ("NCUSIF") to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. All of the District's \$91,733 in

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (cont'd)

investments are invested in the ARC Community Trust of Pennsylvania, a 2a7-like investment pool. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees.

NOTE 3 SCHOOL TAXES

The tax on real estate, as levied by the School Board, was 39.18840 mills (\$39.18840 per \$1,000 of assessed valuation) for fiscal year 2021. Assessed valuation of property is established by the Board of Assessments, and the elected or appointed tax collectors are responsible for collection. Real property in the District for the July 1, 2020 levy was assessed at \$1,147,570,621. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	–	Levy date
July 1 - August 31	–	2% discount period
September 1 - October 31	–	Face value period
November 1 - December 31	–	10% penalty period
February 28	–	Lien date

For government-wide financial statements, the District, in accordance with the GASB Codification, recognized the delinquent and unpaid taxes receivable. The amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2021:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 297,409	\$ -
Bond fund	-	15,026
Proprietary fund	-	282,383
	<u>\$ 297,409</u>	<u>\$ 297,409</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 1,674,131	\$ -	\$ -	\$ 1,674,131
Total Capital Assets Not Being Depreciated	<u>1,674,131</u>	<u>-</u>	<u>-</u>	<u>1,674,131</u>
Capital assets being depreciated:				
Land improvements	2,914,932	-	-	2,914,932
Buildings and improvements	84,397,215	-	-	84,397,215
Furniture and equipment	21,404,266	2,411,068	(214,368)	23,600,966
Total Capital Assets Being Depreciated	<u>108,716,413</u>	<u>2,411,068</u>	<u>(214,368)</u>	<u>110,913,113</u>
Less accumulated depreciation for:				
Land improvements	1,640,520	124,060	-	1,764,580
Buildings and improvements	38,843,850	1,739,520	-	40,583,370
Furniture and equipment	19,257,143	659,912	(214,368)	19,702,687
Total Accumulated Depreciation	<u>59,741,513</u>	<u>2,523,492</u>	<u>(214,368)</u>	<u>62,050,637</u>
Total Capital Assets Being Depreciated, Net	<u>48,974,900</u>	<u>(112,424)</u>	<u>-</u>	<u>48,862,476</u>
GOVERNMENTAL ACTIVITIES ASSETS, NET	<u>\$ 50,649,031</u>	<u>\$ (112,424)</u>	<u>\$ -</u>	<u>\$ 50,536,607</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture and equipment	\$ 891,304	\$ 22,701	\$ -	\$ 914,005
Less accumulated depreciation	<u>(513,471)</u>	<u>(38,952)</u>	<u>-</u>	<u>(552,423)</u>
BUSINESS-TYPE ACTIVITIES, NET	<u>\$ 377,833</u>	<u>\$ (16,251)</u>	<u>\$ -</u>	<u>\$ 361,582</u>

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

Governmental Activities:	
Instruction	\$ 318,873
Instructional student support	11,214
Administrative and financial support services	278,636
Operation and maintenance of plant services	1,782,646
Pupil transportation	59,828
Student activities	<u>72,295</u>
Total Governmental Activities	<u>\$ 2,523,492</u>

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Business-type Activities:	
Food service	<u>\$ 38,952</u>

NOTE 6 GENERAL LONG-TERM LIABILITIES

The following is a summary of governmental long-term liability activity of the District for the year ending June 30, 2021:

	<u>Outstanding June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2021</u>	<u>Due within One Year</u>
General Obligation Bond - 2014	\$ 11,790,000	\$ -	\$ 11,790,000	\$ -	\$ -
General Obligation Bond - 2015	4,505,000	-	1,470,000	3,035,000	1,520,000
General Obligation Bond - 2015AAA	920,000	-	295,000	625,000	310,000
General Obligation Bond - 2016	5,910,000	-	5,910,000	-	-
General Obligation Bond - 2017	6,605,000	-	6,605,000	-	-
General Obligation Bond - 2019	7,575,000	-	320,000	7,255,000	325,000
General Obligation Bond - 2020A	11,005,000	-	70,000	10,935,000	40,000
General Obligation Bond - 2020AA	5,305,000	-	70,000	5,235,000	5,000
General Obligation Bond - 2020B	-	19,795,000	490,000	19,305,000	435,000
General Obligation Bond - 2021	-	<u>5,950,000</u>	-	<u>5,950,000</u>	<u>110,000</u>
Subtotal	<u>53,615,000</u>	<u>25,745,000</u>	<u>27,020,000</u>	<u>52,340,000</u>	<u>2,745,000</u>
Bond premium/discount	<u>2,437,680</u>	<u>88,387</u>	<u>345,431</u>	<u>2,180,636</u>	<u>404,818</u>
 Bonds, net	 <u>56,052,680</u>	 <u>25,833,387</u>	 <u>27,365,431</u>	 <u>54,520,636</u>	 <u>3,149,818</u>
 Capital leases	 51,067	 -	 37,672	 13,935	 13,935
Compensated absences	1,609,487	-	51,557	1,557,930	248,434
Net pension liability	105,167,000	6,901,000	-	112,068,000	-
Net OPEB liability	<u>14,946,346</u>	<u>280,974</u>	<u>-</u>	<u>15,227,320</u>	<u>-</u>
	<u>\$177,826,580</u>	<u>\$33,015,361</u>	<u>\$27,454,660</u>	<u>\$183,387,821</u>	<u>\$3,412,187</u>

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

The general fund has liquidated long-term liabilities in prior years.

Interest expense for the year ended June 30, 2021 was \$2,351,672 for bonds and \$1,328 for capital leases.

Principal and interest payments for bonds payable for the succeeding fiscal years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,745,000	\$ 1,415,180	\$ 4,160,180
2023	2,760,000	1,393,635	4,153,635
2024	2,870,000	1,313,371	4,183,371
2025	2,970,000	1,210,554	4,180,554
2026	3,080,000	1,106,808	4,186,808
2027 - 2031	14,110,000	4,491,273	18,601,273
2032 - 2036	16,335,000	2,491,223	18,826,223
2037 - 2039	7,470,000	294,360	7,764,360
	<u>\$ 52,340,000</u>	<u>\$ 13,716,404</u>	<u>\$ 66,056,404</u>

General Obligation Bonds

General Obligation Bond Series of 2015 – Original principal amount of \$9,085,000, maturing through February 15, 2023, bearing interest from 2.0% to 4.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently refund the General Obligation Bond Series of 2010B. The principal outstanding is reported net of a \$135,931 premium. \$ 3,170,931

General Obligation Bond Series of 2015AAA – Original principal amount of \$2,240,000, maturing through February 15, 2023, bearing interest from 2.0% to 3.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently fund the General Obligation Bond Series of 2010AAA. The principal outstanding is reported net of a \$17,626 premium. 642,626

General Obligation Bond Series of 2019 – Original principal amount of \$7,115,000, maturing through August 15, 2028, bearing interest from 2.0% to 4.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently refund the General Obligation Bond Series of 2013A. The principal outstanding is reported net of a \$302,169 premium. 7,557,169

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

General Obligation Bond Series of 2020A – Original principal amount of \$11,005,000 maturing through August 15, 2038, bearing interest from 3.0% to 4.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently refund the General Obligation Bond Series of 2015A. The principal outstanding is reported net of a \$1,135,228 premium. 12,070,228

General Obligation Bond Series of 2020AA – Original principal amount of \$5,305,000 maturing through August 15, 2025, bearing interest from 3.0% to 4.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently refund the General Obligation Bond Series of 2015AA. The principal outstanding is reported net of a \$506,819 premium. 5,741,819

General Obligation Bond Series of 2020B – Original principal amount of \$19,795,000 maturing through August 15, 2037, bearing interest from 3.0% to 4.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently refund the General Obligation Bond Series of 2015A. The principal outstanding is reported net of a \$1,202,537 premium. The issuance resulted in a cash flows savings of \$1,767,435 and a present value cash flow savings of \$1,261,756. 19,305,000

General Obligation Bond Series of 2021 – Original principal amount of \$5,950,000 maturing through August 15, 2034, bearing interest from 3.0% to 4.0%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to currently refund the General Obligation Bond Series of 2015AA. The principal outstanding is reported net of a \$82,863 premium. The issuance resulted in a cash flows savings of \$138,199 and a present value cash flow savings of \$108,618. 6,032,863

TOTAL \$ 54,520,636

NOTE 7 PENSION PLAN

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. Benefit terms

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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

Benefits Provided

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

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

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

Contributions

Member Contributions

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

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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

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

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

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, the rate of the employer contribution was 34.51 percent of covered payroll, which was comprised of 33.51 percent for pension contributions, 0.82 percent for healthcare contributions, and 0.18 for the Act 5 deferred compensation plan. The District's contribution to PSERS for pension contributions for the year ended June 30, 2021 was \$10,622,724.

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 \$112,068,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .2276 percent, which was a decrease of .0028 percent from its proportion measured as of June 30, 2019.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

For the year ended June 30, 2021, the District recognized pension expense of \$10,504,065. 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	\$ 4,926,000	\$ -
Difference between expected and actual experience	293,000	2,686,000
Changes in proportions	1,003,000	1,734,000
Difference between employer contributions and proportionate share of total contributions	213,628	-
Contributions subsequent to the date of measurement	10,622,724	-
	\$ 17,058,352	\$ 4,420,000

An amount of \$10,622,724 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2022	\$ (1,538,760)
2023	218,182
2024	1,849,434
2025	1,486,772
	\$ 2,015,628

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the system's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.25 percent, including inflation of 2.75 percent

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

- Salary increases – effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, and 2.25 percent for real wage growth and merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The 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.

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

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%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	100.0%	

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

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$138,652,000	\$112,068,000	\$ 89,548,000

Pension Plan Fiduciary Net Position

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

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The District contributes to the Health Insurance Premium Assistance Program, which is a governmental cost sharing, multiple-employer other postemployment benefits ("OPEB") plan 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

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, the rate of the employer contribution was 34.51 percent of covered payroll, which was comprised of 33.51 percent for pension contributions, 0.82 percent for healthcare contributions, and 0.18 for the Act 5 deferred compensation plan. The District's OPEB contribution to PSERS for the year ended June 30, 2021 was \$259,941.

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 \$4,907,000 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 liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.2276 percent, which was a decrease of 0.0023 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$222,039. 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
Net difference between projected and actual investment earnings	\$ 8,000	\$ -
Net difference between expected and actual experience	45,000	-
Change in assumptions	200,000	108,000
Changes in proportions	41,000	150,000
Difference between employer contributions and proportionate share of total contributions	-	1,740
Contributions subsequent to the date of measurement	259,941	-
	\$ 553,941	\$ 259,740

Change in Assumption: The discount rate used to measure the total OPEB liability decreased from 2.79 percent as of June 30, 2019 to 2.66 percent as of June 30, 2020.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

An amount of \$259,941 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2022	\$ (11,961)
2023	(12,961)
2024	(13,961)
2025	24,492
2026	29,688
Thereafter	19,323
	\$ 34,260

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 percent of pay
- Investment return – 2.66 percent - S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 5.00 percent comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Experience rates based on study performed from July 1, 2010 to June 30, 2015
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent.
 - Eligible retirees will elect to participate post-age 65 at 70 percent.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- 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 – 64 percent of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	50.3%	(1.0%)
U.S. core fixed income	46.5%	(0.1%)
Non-U.S. developed fixed	3.2%	(0.1%)
	100.0%	

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

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 percent. Under the plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 percent, 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 System's Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 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, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 780 members were receiving less than the \$1,200 per year cap, which is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2021, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ 4,906,000	\$ 4,907,000	\$ 4,907,000

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

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

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
Proportionate share of the net OPEB liability	\$ 5,595,000	\$ 4,907,000	\$ 4,337,000

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

OPEB Plan Fiduciary Net Position

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

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2021, the District paid \$481,247 to plan members eligible for receiving benefits.

Participants

As of July 1, 2020, the plan had 615 participants (601 active, 14 retired).

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2020. The total OPEB liability as of June 30, 2021 was determined by rolling forward the system's total OPEB liability as of the July 1, 2019 actuarial valuation to the June 30, 2020 measurement date using the actuarial assumptions noted below.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount rate was 3.50 percent, based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2019.

Salary

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

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9 percent for both men and women and decrease with age and service.

<u>Age</u>	<u>Rate</u>
25	11.6%
40	9.3%
55	1.7%

Mortality

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit plan actuarial valuations.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability

No disability was assumed.

Retirement

One hundred percent of employees hired before July 1, 2011 are assumed to retire when eligible for unreduced benefits under PSERS or the District at the earlier of:

- Age 60 with 30 years of service
- At least 35 years of service
- Age 62 with at least one year of service

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

One hundred percent of employees hired on or after July 1, 2011 are assumed to retire when eligible for unreduced benefits under PSERS or the District at the earlier of:

- Age 65 with at least three years of service
- Age plus at least 35 years of service equals 92

Percent of Eligible Retirees Electing Coverage in Plan

It is assumed that 100 percent of future retirees and 50 percent of spouses will participate in the retiree medical program. All current participating retirees and spouses are assumed to continue participation in the medical program.

Percent Married at Retirement

Eighty percent of employees are assumed to be married, with the spouse being the opposite sex and same age as the retiree.

Per Capita Claims Cost

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

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Male</u>	<u>Female</u>
0 - 49	\$ 10,511	\$ 10,445
50 - 54	\$ 12,507	\$ 15,297
55 - 59	\$ 16,198	\$ 17,674
60 - 64	\$ 20,688	\$ 20,545
65+	\$ 25,178	\$ 24,011

Retiree Contributions

For employees who retired before July 1, 2007, the District provides 100 percent of the cost of coverage for the retiree and spouse. Otherwise, the District pays no part of the premium.

For employees who retire on or after July 1, 2007, the employee pays 100 percent of the premium.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Healthcare Cost Trend Rate

The healthcare cost trend rate was 5.5 percent in 2020 and 5.4 percent in 2021 through 2075.

Actuarial Cost Method – Entry Age Normal

The entry age normal actuarial cost method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The actuarial present value of the projected benefits allocated to the valuation year is called the service cost. The portion of the actuarial present value of the projected benefits not provided for at the valuation date by the actuarial present value of future service costs is called the total OPEB liability.

Participant Data

Based on census information as of September 2016 and due to the timing of District turnover, the data is believed to be representative of the population for the 2019 - 2020 school year.

Sensitivity Analysis

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

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Net OPEB liability	\$ 11,335,221	\$ 10,320,320	\$ 9,431,256

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 9,285,004	\$ 10,320,320	\$ 11,536,172

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2019	\$ 10,165,346
Service cost	283,888
Interest on OPEB liability	352,333
Benefit payments	<u>(481,247)</u>
Total OPEB liability as of June 30, 2020	<u>\$ 10,320,320</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$460,647 for the year ended June 30, 2021. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differenced between expected and actual experience	\$ -	\$ 2,385,288
Change in assumptions	2,353,304	1,680,458
Contributions subsequent to measurement date	<u>481,247</u>	<u>-</u>
	<u>\$ 2,834,551</u>	<u>\$ 4,065,746</u>

An amount of \$481,247 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Deferred outflows of resources due to the change in assumptions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ (345,686)
2023	(345,686)
2024	(345,686)
2025	(345,686)
2026	(345,686)
Thereafter	<u>15,988</u>
	<u>\$ (1,712,442)</u>

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 AGGREGATION OF NET OPEB LIABILITY

The District's reconciliation of the net OPEB liability is as follows:

	PSERS Healthcare Premium Assistance Plan (See Note 8)	District Postemployment Healthcare Benefits Plan (See Note 9)	Total
Deferred outflows related to OPEB	\$ 553,941	\$ 2,834,551	\$ 3,388,492
Net OPEB liability	\$ 4,907,000	\$ 10,320,320	\$ 15,227,320
Deferred inflows related to OPEB	\$ 259,740	\$ 4,065,746	\$ 4,325,486

NOTE 11 CAPITAL LEASES

On November 19, 2014, the District entered into an eight-year capital lease agreement for school buses. Payments are made annually. The implicit interest rate is 2.54 percent. The principal amount of the lease is \$264,000. This amount has been added to capital assets and long-term liabilities in the government-wide financial statements. Amortization expense for the equipment is included in depreciation expense.

Principal and interest payments for the succeeding years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 13,395	\$ 349	\$ 13,744
	<u>\$ 13,395</u>	<u>\$ 349</u>	<u>\$ 13,744</u>

NOTE 12 OPERATING LEASES

The District currently is obligated under operating lease agreements for various office equipment leases and a school bus lease. The minimum rental cost for the year ended June 30, 2021 was \$677,278. The rental expense for the year ended June 30, 2021 was \$698,356. Future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 467,423
2023	326,589
2024	30,245
	<u>\$ 824,257</u>

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 13 SELF-INSURANCE

The District self-insures worker's compensation through the Pennsylvania Insurance Consortium for Schools. The Pennsylvania Insurance Consortium for Schools is an association consisting of school districts, intermediate units, and vocational-technical schools of the Commonwealth of Pennsylvania. The District obtained a self-insurance exemption from the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation, which allows the District to self-insure workers' compensation.

Each year, the District is required to deposit funds into the central fund. The District is then billed monthly for actual claims paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund. At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded.

The District does not carry dental or prescription insurance because of its prohibitive cost. The District covers all claim settlements out of its general fund resources. The District currently reports all its risk management activities in the fund financial statements in its general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

<u>Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2020 - 2021	\$ 223,693	\$ 1,710,792	\$ 1,667,273	\$ 267,212

NOTE 14 CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverage for the fiscal year ended June 30, 2021.

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 16 SPLIT-DOLLAR LIFE INSURANCE

The District entered into Split-Dollar Life Insurance collateral assignment agreements with nine retirees. Pursuant to each collateral assignment agreement, a portion of the death benefit payable upon the death of the insured is “collaterally assigned” to the District in an amount equal to the aggregate sum of the life insurance premiums paid by the District during the life of the insured. The balance of the death benefit is retained by the insured’s designated beneficiary. The cumulative premium amount paid and receivable by the District is \$333,350 as of June 30, 2021.

NOTE 17 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2021:

Non-public programs	\$	2,455
Pre-kindergarten	\$	4,658
Pupil personnel services	\$	291,241
Instruction staff services	\$	657,403
Business services	\$	36,486
Central support services	\$	1,082,843
Community service	\$	14,980

The excess of expenditures over appropriations was financed by areas in which expenditures did not exceed budgeted projections and the use of available fund balance.

NOTE 18 FUND BALANCES

As of June 30, 2021, fund balances are composed of the following:

	General Fund	Bond Fund	Capital Projects Fund (Non-major)	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 40,733	\$ -	\$ -	\$ 40,733
Inventory	2,027	-	-	2,027
Restricted:				
Local contributions	251,060	-	-	251,060
Capital projects	-	3,623,509	-	3,623,509
Committed:				
Band uniforms	25,000	-	-	25,000

INTERBORO SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 18 FUND BALANCES (cont'd)

	General Fund	Bond Fund	Capital Projects Fund (Non-major)	Total Governmental Funds
Assigned:				
Capital projects	-	-	832	832
Unassigned	5,805,855	-	-	5,805,855
Total Fund Balances	\$ 6,124,675	\$ 3,623,509	\$ 832	\$ 9,749,016

NOTE 19 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2021, economic and operational uncertainties have arisen which may impact the District in fiscal year 2022. There exist uncertainties surrounding the District's operations in the 2021 - 2022 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 20 PRIOR PERIOD ADJUSTMENTS

The District has increased its July 1, 2020 net position in the custodial fund by \$87,422 due to the effects of implementing GASB Statement No. 84, "Fiduciary Activities." Amounts previously recorded as liabilities are now recorded as net position.

NOTE 21 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 20, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	MEASUREMENT DATE						
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.2276%	0.2248%	0.2280%	0.2356%	0.2366%	0.2337%	0.2230%
District's proportion of the net pension liability - dollar value	\$ 112,068,000	\$ 105,167,000	\$ 109,451,000	\$ 116,359,000	\$ 117,251,000	\$ 101,228,000	\$ 88,265,000
District's covered employee payroll	\$ 32,153,540	\$ 31,293,420	\$ 30,703,506	\$ 30,997,548	\$ 30,166,952	\$ 29,541,375	\$ 28,452,280
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	348.54%	336.07%	356.48%	375.38%	388.67%	342.67%	310.22%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	54.49%

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

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$10,622,724	\$10,726,421	\$10,201,655	\$ 9,698,738	\$ 9,051,284	\$ 7,541,738	\$ 6,055,982	\$ 4,455,528
Contributions in relation to the contractually required contribution	<u>10,622,724</u>	<u>10,726,421</u>	<u>10,201,655</u>	<u>9,698,738</u>	<u>9,051,284</u>	<u>7,541,738</u>	<u>6,055,982</u>	<u>4,455,528</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$31,700,122	\$32,153,540	\$31,293,420	\$30,703,506	\$30,997,548	\$30,166,952	\$29,541,375	\$28,452,280
Contributions as a percentage of covered employee payroll	33.51%	33.36%	32.60%	31.59%	29.20%	25.00%	20.50%	15.66%

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

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

	MEASUREMENT DATE			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2276%	0.2248%	0.2280%	0.2356%
District's proportion of the net OPEB liability - dollar value	\$ 4,907,000	\$ 4,781,000	\$ 4,754,000	\$ 4,800,000
District's covered employee payroll	\$ 32,153,540	\$ 31,293,420	\$ 30,703,506	\$ 30,997,548
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.26%	15.28%	15.48%	15.49%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	5.73%

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

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 259,941	\$ 270,090	\$ 259,735	\$ 253,622
Contributions in relation to the contractually required contribution	<u>259,941</u>	<u>270,090</u>	<u>259,735</u>	<u>253,622</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 31,700,122	\$ 32,153,540	\$ 31,293,373	\$ 30,703,506
Contributions as a percentage of covered employee payroll	0.82%	0.84%	0.83%	0.83%

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

**INTERBORO SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
Single Employer Plan**

	MEASUREMENT DATE			
	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
TOTAL OPEB LIABILITY				
Service cost	\$ 283,888	\$ 534,672	\$ 590,819	\$ 607,457
Interest on total OPEB liability	352,333	445,391	438,982	445,846
Change of benefit terms	-	195,574	-	-
Differences between expected and actual experience	-	(2,861,258)	-	(524,116)
Changes in assumptions	-	(2,313,398)	-	4,019,360
Benefit payments	(481,247)	(829,321)	(746,901)	(752,895)
NET CHANGE IN TOTAL OPEB LIABILITY	154,974	(4,828,340)	282,900	3,795,652
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	10,165,346	14,993,686	14,710,786	10,915,134
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 10,320,320</u>	<u>\$ 10,165,346</u>	<u>\$ 14,993,686</u>	<u>\$ 14,710,786</u>
<u>PLAN FIDUCIARY NET POSITION</u>				
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ -
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ -	\$ -	\$ -	\$ -
DISTRICT'S NET OPEB LIABILITY	<u>\$ 10,320,320</u>	<u>\$ 10,165,346</u>	<u>\$ 14,993,686</u>	<u>\$ 14,710,786</u>
Plan's fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	31,183,223	30,422,657	31,342,379	30,577,931
District's net OPEB liability as a percentage of covered payroll	33.10%	33.41%	47.84%	48.11%
Expected average remaining years of service of all participants	14	14	14	14

SINGLE AUDIT



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

December 20, 2021

Board of School Directors
Interboro School District
Prospect Park, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Interboro School District ("the District"), Prospect Park, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Board of School Directors
Interboro School District

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

Compliance and Other Matters

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

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

Purpose of This Report

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


BARBACANE, THORNTON & COMPANY LLP



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

December 20, 2021

Board of School Directors
Interboro School District
Prospect Park, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Interboro School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of School Directors
Interboro School District

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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


BARBACANE, THORNTON & COMPANY LLP

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

Federal Grantor/Pass-through Grantor Project Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Unearned) Revenue 7/1/2020	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2021	Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Passed through Pennsylvania Department of Education											
Title I - Grants to Local Education Agencies	I	84.010	013-20-0197	8/8/19 - 9/30/20	\$ 539,068	\$ 78,581	\$ 74,408	\$ 4,173	\$ 4,173	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-21-0197	9/4/20 - 9/30/21	532,910	492,308	-	525,674	525,674	33,366	-
Total CFDA 84.010						570,889	74,408	529,847	529,847	33,366	-
Title II - Improving Teacher Quality	I	84.367	020-20-0197	8/8/19 - 9/30/20	99,045	7,492	7,492	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-21-0197	9/4/20 - 9/30/21	98,204	83,096	-	92,293	92,293	9,197	-
Total CFDA 84.367						90,588	7,492	92,293	92,293	9,197	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-20-0197	8/8/19 - 9/30/20	40,959	14,628	2,220	12,408	12,408	-	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-21-0197	9/4/20 - 9/30/21	40,796	25,105	-	16,867	16,867	(8,238)	-
Total CFDA 84.424						39,733	2,220	29,275	29,275	(8,238)	-
Continuity of Education Grant for A-TSI Schools	I	84.425C	254-20-0197	10/6/20 - 9/30/21	77,273	36,603	-	31,431	31,431	(5,172)	-
Total CFDA 84.425C						36,603	-	31,431	31,431	(5,172)	-
ESSER Additional Funds - School Safety	I	84.425D	2020-ES-01-35165	3/13/20 - 9/30/22	99,961	46,115	-	96,618	96,618	50,503	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0197 1	3/13/20 - 9/30/21	441,832	441,832	-	441,832	441,832	-	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-0197 A	3/13/20 - 9/30/21	1,962,519	91,280	-	1,180,948	1,180,948	1,089,668	-
Total CFDA 84.425D						579,227	-	1,719,398	1,719,398	1,140,171	-
Subgrant from U.S. Department of Education											
Passed Through the Delaware County Intermediate Unit #25											
IDEA Part B	I	84.027	N/A	7/1/20 - 6/30/21	807,085	807,085	-	807,085	807,085	-	-
Special Education COVID-19 Impact Mitigation Grant	I	84.027	252-20-0197	10/6/20 - 9/30/21	30,298	7,973	-	25,393	25,393	17,420	-
Total CFDA 84.027						815,058	-	832,478	832,478	17,420	-
IDEA Preschool	I	84.173	N/A	7/1/20 - 6/30/21	3,094	3,094	-	3,094	3,094	-	-
Total CFDA 84.173						3,094	-	3,094	3,094	-	-
Total Special Education Cluster						818,152	-	835,572	835,572	17,420	-
TOTAL U.S. DEPARTMENT OF EDUCATION						2,135,192	84,120	3,237,816	3,237,816	1,186,744	-
U.S. DEPARTMENT OF THE TREASURY											
Passed through Pennsylvania Department of Education											
PA PKC CARES COVID-19 Relief	I	21.019	161-19-0151	9/2/20 - 12/31/20	14,586	14,586	-	14,586	14,586	-	-
COVID-19 Relief Enhancements	I	21.019	2020-CS-01-34012	3/1/20 - 10/30/20	249,370	249,370	-	249,370	249,370	-	-
County CARES Act	I	21.019		3/1/20 - 12/30/20	667,669	667,669	-	667,669	667,669	-	-
Total CFDA 21.019						931,625	-	931,625	931,625	-	-
U.S. DEPARTMENT OF THE INTERIOR											
FWS National Wildlife Refuge Fund	D	15.659	N/A	7/1/20 - 6/30/21	4,187	4,187	-	4,187	4,187	-	-
Total CFDA 15.659						4,187	-	4,187	4,187	-	-
TOTAL U.S. DEPARTMENT OF THE INTERIOR						4,187	-	4,187	4,187	-	-

Continued on next page.

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

Federal Grantor/Pass-through Grantor Project Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Unearned) Revenue 7/1/2020	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2021	Passed Through to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	7/1/19 - 6/30/20	N/A	57,566	57,566	-	-	-	-
Medical Assistance Program	I	93.778	N/A	7/1/20 - 6/30/21	N/A	196,337	-	299,472	299,472	103,135	-
Total CFDA 93.778						253,903	57,566	299,472	299,472	103,135	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						253,903	57,566	299,472	299,472	103,135	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed through Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	7/1/19 - 6/30/20	N/A	-	(11,513)	11,513	11,513	-	-
National School Lunch Program	I	10.555	N/A	7/1/20 - 6/30/21	N/A	64,608	-	63,446	63,446	(1,162)	-
						64,608	(11,513)	74,959	74,959	(1,162)	-
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	7/1/19 - 6/30/20	N/A	30,030	30,030	-	-	-	-
National School Lunch Program	I	10.555	N/A	7/1/20 - 6/30/21	N/A	579,082	-	688,410	688,410	109,328	-
Total CFDA 10.555						673,720	18,517	763,369	763,369	108,166	-
National School Breakfast Program		10.553	N/A	7/1/19 - 6/30/20	N/A	18,876	18,876	-	-	-	-
National School Breakfast Program		10.553	N/A	7/1/20 - 6/30/21	N/A	308,128	-	364,038	364,038	55,910	-
Total CFDA 10.553						327,004	18,876	364,038	364,038	55,910	-
Total Child Nutrition Cluster						1,000,724	37,393	1,127,407	1,127,407	164,076	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,000,724	37,393	1,127,407	1,127,407	164,076	-
TOTAL FEDERAL AWARDS						\$ 4,325,631	\$ 179,079	\$ 5,600,507	\$ 5,600,507	\$ 1,453,955	\$ -
TOTAL EDUCATION STABILIZATION FUND (CFDA #84.425C & #84.425D)						\$ 615,830	\$ -	\$ 1,750,829	\$ 1,750,829	\$ 1,134,999	\$ -

INTERBORO SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 includes surplus food consumed by the District during the 2020 - 2021 fiscal year.

NOTE D INDIRECT COST RATE

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

NOTE E ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$75,536.

INTERBORO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

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

Unmodified

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

 Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.425C and 84.425D	Education Stabilization Fund
21.019	Coronavirus Relief Fund

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

\$750,000

Auditee qualified as low-risk auditee? X Yes No

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

PART B – FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C – FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.