

ALLENTOWN SCHOOL DISTRICT

ALLENTOWN, PENNSYLVANIA

AUDIT REPORT

JUNE 30, 2021

ALLENTOWN SCHOOL DISTRICT

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Independent Auditor's Report

Board of Directors
Allentown School District
Allentown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Allentown School District ("the District"), Allentown, 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Allentown School District, Allentown, Pennsylvania, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison statement of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 1 to the financial statements, in fiscal year 2021, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32, GASB Statement No. 98 *The Annual Comprehensive Financial Report*, and GASB Statement No. 99, Omnibus 2022. Our opinion is not modified with respect to these matters.

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 14, and the schedules related to the District's OPEB and Pension Plans on pages 59 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor governmental fund financial statements on pages 64 and 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 71 – 73 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*, and also is not a required part of the basic financial statements.



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The combining nonmajor governmental fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 May 25, 2022, 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.

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
May 25, 2022

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2021**

INTRODUCTION

The discussion and analysis of the financial performance of the Allentown School District ("the District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the financial performance as a whole; however, readers also should review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

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

MISSION STATEMENT AND VISION

- Mission – Each and every student will graduate college and career ready by having their individual needs met through active engagement in a rigorous, safe and nurturing learning environment.
- Vision – Each and every student, with the active support of the entire community, will graduate ready to thrive in a diverse and complex world.

FINANCIAL HIGHLIGHTS

As of June 30, 2021, the District's General Fund reported a positive accumulated fund balance in the amount of \$14,762,676, or 4.22 percent of the District's General Fund total expenditure budget for 2020-2021, up from 1.49 percent for the previous year.

The District's total entity-wide revenues during the fiscal year ended June 30, 2021 were \$357,598,002. Of this total, combined taxes, general subsidies, and other general revenues accounted for \$248,878,512, or 69.6 percent, and program-specific revenues in the form of charges for services and grants accounted for \$108,719,490, or the remaining 30.4 percent.

The District had \$338,183,126 in expenses related to governmental activities; \$100,061,197 of these expenses were offset by program-specific revenues for services and operating grants.

FINANCIAL STATEMENTS

This annual report consists of a series of financial statements that are organized so that the reader can understand the District as a financial whole and, also, as an entire operating entity. The financial statements consist of three parts: 1) Management's Discussion and Analysis; 2) basic financial statements; and 3) supplementary information. The basic financial statements include two kinds of statements that present different views of the District. The first two statements are entity-wide financial statements – the Statement of Net Position and the Statement of Activities. These statements provide both long-term and short-term information about the District's overall financial status.

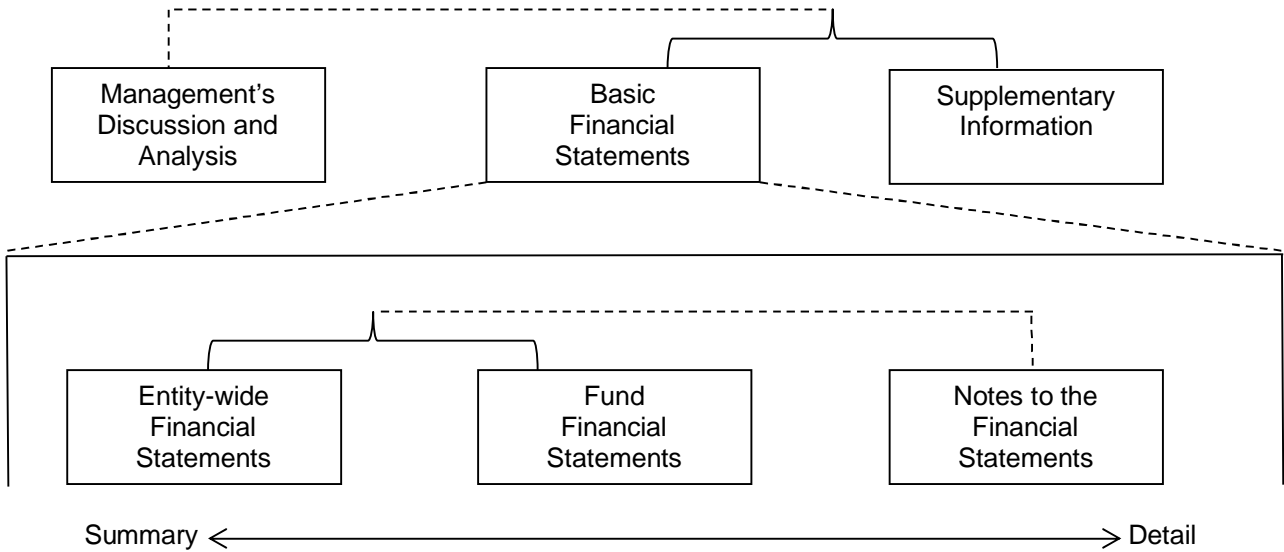
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the entity-wide statements. The governmental funds statements tell how generally the District's services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For the District, this is its Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. For the District, this is its Student Activities Fund, the IRC Section 125 Fund, and the Private-Purpose Trust Fund.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and reports on the financial statements.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1
Required Components of Allentown School District's
Financial Report**



**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

Figure A-2 summarizes the major features of the financial statements, including the portion of the program they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

**Figure A-2
Major Features of Allentown School District's
Entity-Wide and Fund Financial Statements**

	Entity-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or Fiduciary, such as education, administration, and community services.	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Student Activity Funds
Required financial statements	Statement of Net Position; Statement of Activities.	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances.	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows.	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term, and net position.	Only assets and deferred outflows expected to be used up, and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets or long-term debt included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

Entity-Wide Statements

The entity-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

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

To assess the overall health of the District, the reader needs to consider additional factors, such as projected growth in the District's property values due to the extensive downtown development, as well as the future riverfront projects, and the projected changes in enrollment of students.

The entity-wide financial statements of the District are divided into two categories:

- **Governmental Activities** – All of the District's basic services are included here, such as instruction, administration, and community services. Local tax revenues, state and federal subsidies, and grants finance most of these activities.
- **Business-Type Activities** – The District operates a food service operation and charges fees to staff, students, and visitors to help defray the costs of the food service operation.

Impact of GASB Statements No. 68 and No. 71 and No. 75

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

The adoption of GASB Statements No. 68 and No. 71 has had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach.

Under this new approach, the District reports its proportionate share of the net pension liability on the Statement of Net Position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

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

While the net pension liability is significant to the District's financial statements, it is a liability the District has limited control over. The PSERS employer contribution rate has risen significantly, from 12.36 percent in 2012-2013 to 34.51 percent in 2020-2021. These increases are expected to improve the plan's funding level, which will reduce net position in future years. This rate is anticipated to continue to increase to a level of over 37 percent in future years.

During the 2017-2018 fiscal year, the School District adopted new accounting guidance, GASB Statement No. 75, which requires the School District to report its full net Other Postemployment Benefits ("OPEB") liability for the single-employer OPEB plan and the cost-sharing multi-employer Health Insurance Premium Assistance Plan provided through PSERS.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be converted readily to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds** – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services generally are reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the entity-wide statements, but provides more detail and additional information, such as cash flows.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as trust funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the entity-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's total net deficit as of June 30, 2021 was \$(354,241,225). The deficit is a direct result of Governmental Accounting Standards Board ("GASB") Statements No. 68, No. 71 and No. 75, as noted above. Table A-1 summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (deficit) of the District.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

**Table A-1
June 30, 2021 and 2020
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 85,896,196	\$ 85,385,184	\$ 4,783,497	\$ 5,102,090	\$ 90,679,693	\$ 90,487,274
Noncurrent assets	222,424,948	224,979,932	127,844	1,911,189	222,552,792	226,891,121
Deferred outflows of resources	87,971,079	87,072,144	1,775,067	-	89,746,146	87,072,144
Total Assets and Deferred Outflows of Resources	<u>\$396,292,223</u>	<u>\$397,437,260</u>	<u>\$ 6,686,408</u>	<u>\$ 7,013,279</u>	<u>\$402,978,631</u>	<u>\$404,450,539</u>
Liabilities:						
Current and other liabilities	\$ 58,437,708	\$ 65,683,467	\$ 541,896	\$ 250,131	\$ 58,979,604	\$ 65,933,598
Long-term liabilities	641,977,263	675,268,280	9,408,018	10,360,196	651,385,281	685,628,476
Deferred inflows of resources	45,823,718	17,714,640	1,031,253	-	46,854,971	17,714,640
Total Liabilities and Deferred Inflows of Resources	<u>746,238,689</u>	<u>758,666,387</u>	<u>10,981,167</u>	<u>10,610,327</u>	<u>757,219,856</u>	<u>769,276,714</u>
Net Position:						
Net investment in capital assets	20,582,551	15,089,670	127,844	138,033	20,710,395	15,227,703
Restricted for debt service	10,884,589	10,515,398	-	-	10,884,589	10,515,398
Unrestricted	<u>(381,413,606)</u>	<u>(386,834,195)</u>	<u>(4,422,603)</u>	<u>(3,735,081)</u>	<u>(385,836,209)</u>	<u>(390,569,276)</u>
Total Net Deficit	<u>(349,946,466)</u>	<u>(361,229,127)</u>	<u>(4,294,759)</u>	<u>(3,597,048)</u>	<u>(354,241,225)</u>	<u>(364,826,175)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Deficit	<u>\$396,292,223</u>	<u>\$397,437,260</u>	<u>\$ 6,686,408</u>	<u>\$ 7,013,279</u>	<u>\$402,978,631</u>	<u>\$404,450,539</u>

Changes in Net Deficit

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are factored in to determine the final amount of the District's activities that are supported by other general revenues.

Table A-2 takes the information from that statement and rearranges it slightly, so the reader can compare the District's total revenues for the 2019-2020 and 2020-2021 fiscal years.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

**Table A-2
Fiscal Years Ended June 30, 2021 and 2020
Condensed Statement of Activities**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues:						
Charges for services	\$ 579,433	\$ 230,859	\$ 11,496	\$ 40,910	\$ 590,929	\$ 271,769
Operating grants and contributions	99,481,764	86,415,025	8,589,264	9,262,485	108,071,028	95,677,510
Capital grants and contributions	-	-	57,533	-	57,533	-
General revenues:						
Property taxes	98,381,008	92,664,581	-	-	98,381,008	92,664,581
Other taxes	11,340,645	10,988,325	-	-	11,340,645	10,988,325
Grants, subsidies, contributions	138,325,147	139,711,261	-	-	138,325,147	139,711,261
Investment income	64,251	2,321,230	21,025	56,781	85,276	2,378,011
Transfers	251,262	341,185	(251,262)	(341,185)	-	-
Other	746,436	1,073,306	-	-	746,436	1,073,306
TOTAL REVENUES	<u>349,169,946</u>	<u>333,745,772</u>	<u>8,428,056</u>	<u>9,018,991</u>	<u>357,598,002</u>	<u>342,764,763</u>
EXPENSES						
Instruction	250,202,629	255,877,876	-	-	250,202,629	255,877,876
Instructional student support	22,064,896	22,580,097	-	-	22,064,896	22,580,097
Administration	28,759,943	24,010,275	-	-	28,759,943	24,010,275
Operation and maintenance						
of plant services	19,440,582	19,071,524	-	-	19,440,582	19,071,524
Pupil transportation	4,895,492	9,651,598	-	-	4,895,492	9,651,598
Student activities	2,100,209	2,263,832	-	-	2,100,209	2,263,832
Community services	1,655,679	1,721,803	-	-	1,655,679	1,721,803
Interest on long-term debt	9,063,696	9,394,576	-	-	9,063,696	9,394,576
Food services	-	-	9,125,767	8,976,224	9,125,767	8,976,224
TOTAL EXPENSES	<u>338,183,126</u>	<u>344,571,581</u>	<u>9,125,767</u>	<u>8,976,224</u>	<u>347,308,893</u>	<u>353,547,805</u>
(DECREASE) INCREASE IN NET POSITION (DEFICIT)	<u>\$ 10,986,820</u>	<u>\$(10,825,809)</u>	<u>\$ (697,711)</u>	<u>\$ 42,767</u>	<u>\$ 10,289,109</u>	<u>\$(10,783,042)</u>

The increase in property taxes collected is mainly due to a millage rate increase for the year. Revenues received for operating grants and contributions increased from the previous year, due to additional funding as a result of COVID-19, otherwise state funding was flat.

Expenses decreased primarily due to staffing vacancies, open/expired bargaining unit contracts as well as transportation savings related to remote learning due to COVID-19. pension related expenses also decreased as a result of a decrease in the net pension liability.

The tables below present the expenses of both the governmental activities and the business-type activities of the District.

Table A-3 shows the District's largest functions – instructional programs, instructional student support, administration, operation of plant and maintenance services, pupil transportation, student activities, community services, and interest on long-term debt, as well as each program's net cost (total cost less revenues generated by the activities). This table shows the net costs offset by the charges for services, restricted operating grants and contributions, and restricted capital grants and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

**Table A-3
Fiscal Years Ended June 30, 2021 and 2020
Net Cost of Governmental Activities**

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2021	2020	20 to 21	2021	2020	20 to 21
Table A-3						
Instruction	\$250,202,629	\$255,877,876	-2.22%	\$165,397,447	\$180,457,755	-8.35%
Instructional student support	22,064,896	22,580,097	-2.28%	21,443,179	22,225,562	-3.52%
Administration	28,759,943	24,010,275	19.78%	28,208,801	24,010,275	17.49%
Operation of plant and maintenance services	19,440,582	19,071,524	1.94%	15,307,014	19,071,524	-19.74%
Pupil transportation	4,895,492	9,651,598	-49.28%	1,383,878	6,425,351	-78.46%
Student activities	2,100,209	2,263,832	-7.23%	1,693,306	2,029,061	-16.55%
Community services	1,655,679	1,721,803	-3.84%	1,655,679	1,721,803	-3.84%
Interest on long-term debt	9,063,696	9,394,576	-3.52%	3,032,625	1,984,366	52.83%
Total	<u>\$338,183,126</u>	<u>\$344,571,581</u>	<u>-1.85%</u>	<u>\$238,121,929</u>	<u>\$257,925,697</u>	<u>-7.68%</u>

Table A-4 reflects the activities of the Food Service program, the only business-type activity of the District.

**Table A-4
Fiscal Years Ended June 30, 2021 and 2020
Net Cost of Business-type Activities**

Function/Program	Total Cost of Services		% Change	Net Revenues		% Change
	2021	2020	20 to 21	2021	2020	20 to 21
Food Services	<u>\$ 9,125,767</u>	<u>\$ 8,976,224</u>	<u>1.67%</u>	<u>\$ (467,474)</u>	<u>\$ 327,171</u>	<u>-242.88%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

During the fiscal year, the Board of School Directors may authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District.

The District frequently applies for and/or receives federal, state, and local grants during the fiscal year, which cannot always be anticipated during the preliminary budgeting process. Budget revenues may be increased accordingly as a result of these additionally approved grants. Conversely, budgeted expenditures also may be increased by the same amounts to offset these additional grant revenues. No budget revisions were made to the final 2020-2021 budget which affected total revenues or total expenses. However, budgeted amounts were transferred between budgeted expense categories during the year to better align those with actual expenditures being incurred. The budget did not change in total but only changed expenses by category line items of expense. All such transfers are approved by the School Board at the regular School Board meetings.

The budgetary reserve includes amounts that may be transferred into expenditure accounts for planned expenditures upon approval of the Board of School Directors. These amounts will be appropriated into expenditure categories only when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unassigned accumulated fund balance and available for future years' budgeting, assuming some restrictions.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

For 2021, actual revenues were more than the budgeted amount by \$2,967,336. Actual expenditures were less than the budgeted amount by \$10,335,070. The statement comparing the District's General Fund budget and actual results can be found on page 21.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$33,097,678, which is greater than last year's total of \$24,638,787. The schedule below indicates the fund balances and the total change in fund balances as of and between June 30, 2020 and 2021.

	<u>Fund Balance June 30, 2021</u>	<u>Fund Balance June 30, 2020</u>	<u>Increase (Decrease)</u>
General Fund	\$ 14,762,676	\$ 5,095,561	\$ 9,667,115
Capital Reserve Fund	1,439,983	1,357,838	82,145
Capital Projects Fund	5,206,859	7,264,519	(2,057,660)
Debt Service Fund	10,884,589	10,515,398	369,191
Other governmental funds	<u>803,571</u>	<u>405,471</u>	<u>398,100</u>
TOTAL	<u>\$ 33,097,678</u>	<u>\$ 24,638,787</u>	<u>\$ 8,458,891</u>

The District's General Fund balance increase is due primarily to the one-time additional COVID-19 related funding, vacancy turnover, and transportation related savings due to virtual learning.

The Capital Reserve Fund increased slightly and Capital Projects Fund decreased due to the spending of debt proceeds on the construction of the new elementary school.

The Debt Service Fund increased due to transfers of \$768,733 from the General Fund for required sinking fund payments and investment losses of \$399,542.

Proprietary Fund

The Food Service Fund had a net increase in its net deficit of \$697,711. The Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund on page 23 will further detail the actual results of operations.

Capital Assets

On June 30, 2021, the District had \$221,217,521 in governmental activities and \$127,844 in business-type invested in a broad range of capital assets, including land, buildings, furniture, and equipment. These amounts represent a net decrease (including construction-in-progress and depreciation) of \$2,448,359 in governmental activities and a net decrease of \$10,189 in business-type activities from June 30, 2020.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

**Table A-5
Governmental Activities
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals		% Change
	2021	2020	2021	2020	2021	2020	20 to 21
Land	\$ 9,113,385	\$ 9,113,385	\$ -	\$ -	\$ 9,113,385	\$ 9,113,385	0.00%
Land Improvements	2,637,291	2,898,856	-	-	2,637,291	2,898,856	-9.02%
Construction-in-progress	566,856	38,074,291	-	-	566,856	38,074,291	-98.51%
Buildings and building improvements	201,049,475	166,655,337	-	-	201,049,475	166,655,337	20.64%
Furniture and equipment	7,850,514	6,924,011	127,844	138,033	7,978,358	7,062,044	12.98%
Total	\$221,217,521	\$223,665,880	\$ 127,844	\$ 138,033	\$221,345,365	\$223,803,913	-1.10%

Debt Administration

Bond and Note Obligations – As of June 30, 2021 and 2020, the District had outstanding bond and note obligations of \$223,614,026 and \$234,850,783, respectively.

Other obligations include accrued sick leave and experience payments for specific employees of the District, accrued other postemployment benefits for retiree healthcare, and the amount of the net pension liability discussed in Notes 7, 9, and 11 of the financial statements.

On July 1, 2021, the District issued a Tax and Revenue Anticipation Note, Series of 2021 in the principal amount of \$20,000,000. The 2021 TRAN was paid off by the District in December 2021.

**ALLENTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTINUED)
JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Act 1 – Taxpayer Relief Act

Act 1 of Special Session 2006 created the Taxpayer Relief Act that utilizes gaming dollars and a local shift to an earned or personal income tax to fund the plan. Act 1 facilitates a tax reduction and possibly a tax shift but does not directly provide additional revenue to the District to fund academic programs.

Other Factors

Factors that will affect the future finances of the District are the continuing escalation of employee health benefits, increases in PSERS pension contributions, loss of students to charter schools, collective bargaining agreements with the District's professional and support staffs, the potential impact of indexing and back-end referendums associated with tax reform legislation, and the amount of support in funding from the federal government. Additionally, the District's property values are expected to increase due to major downtown and riverfront revitalization projects presently underway. This stability depends upon general economic conditions, including the unemployment rate of the District's taxpayers. The cost of operations is anticipated to continue to rise, and it will be funded through property taxes, state and federal subsidies, and grants.

The District has issued an RFP to maintain the Virtual Academy as an option to enhance the instructional program. The program will add additional expenses in future budget years, but is expected to help contain cyber charter enrollment.

District began construction of a new elementary school in the fall of 2018. The first round of debt for this project was issued in June of 2018. The second debt issue for this construction was issued in June 2019. The construction of the new elementary school is complete and the certificate of occupancy was issued effective July 24, 2020.

The District anticipates construction of a new middle school in the fall of 2023. The projected cost of the construction is \$82,794,750, The District anticipates issuing debt in the later part of FY 2023.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the School Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Allentown School District, 31 South Penn Street, Allentown, Pennsylvania 18105.

The District also includes a separate legal entity in its report – the Allentown Public Library. Although legally separate, the Library is important because the District is financially accountable for it and, therefore, it has been included as an integral part of the primary government. The Library is a discretely presented component unit and is reported in a separate column in the entity-wide financial statements to emphasize that it is legally separate from the government. Complete financial statements for the Library may be obtained at the Library's administrative offices at 31 South Penn Street, Allentown, Pennsylvania.

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 43,483,251	\$ 8,731,412	\$ 52,214,663	\$ 1,206,619
Investments	-	-	-	141,393
Restricted assets:				
Cash and cash equivalents with fiscal agent	1,565	-	1,565	-
Investments with fiscal agent	10,883,024	-	10,883,024	-
Taxes receivable	6,974,682	-	6,974,682	-
Due from other governments	19,354,350	337,712	19,692,062	-
Due from Allentown Public Library	201,504	-	201,504	-
Internal balances	4,469,095	(4,469,095)	-	-
Other receivables	224,379	-	224,379	250,297
Inventories	304,346	183,468	487,814	-
Total Current Assets	<u>85,896,196</u>	<u>4,783,497</u>	<u>90,679,693</u>	<u>1,598,309</u>
Noncurrent Assets:				
Prepaid bond insurance costs	1,207,427	-	1,207,427	-
Capital assets, net				
Land	9,113,385	-	9,113,385	209,941
Construction-in-progress	566,856	-	566,856	-
Land improvements	2,637,291	-	2,637,291	3,663
Buildings and building improvements	201,049,475	-	201,049,475	2,632,565
Furniture and equipment	7,850,514	127,844	7,978,358	32,376
Total Noncurrent Assets	<u>222,424,948</u>	<u>127,844</u>	<u>222,552,792</u>	<u>2,878,545</u>
TOTAL ASSETS	<u>308,321,144</u>	<u>4,911,341</u>	<u>313,232,485</u>	<u>4,476,854</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions - PSERS	38,854,823	893,029	39,747,852	478,696
Deferred OPEB contributions - PSERS	945,697	21,736	967,433	11,651
Deferred OPEB contributions - District	689,901	-	689,901	-
Deferred pension items - PSERS	35,270,049	810,639	36,080,688	434,531
Deferred OPEB items - PSERS	2,160,787	49,663	2,210,450	26,622
Deferred OPEB items - district	2,472,625	-	2,472,625	-
Deferred charges on bond refunding	7,577,197	-	7,577,197	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>87,971,079</u>	<u>1,775,067</u>	<u>89,746,146</u>	<u>951,500</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 396,292,223</u>	<u>\$ 6,686,408</u>	<u>\$ 402,978,631</u>	<u>\$ 5,428,354</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 12,195,003	\$ -	\$ 12,195,003	\$ 64,198
Accrued salaries	11,907,130	-	11,907,130	13,842
Accrued interest	3,192,065	-	3,192,065	-
Payroll deductions and withholdings	18,601,533	-	18,601,533	-
Unearned revenues	2,831,977	2,120	2,834,097	-
Other current liabilities	-	539,776	539,776	-
Due to Allentown School District	-	-	-	201,504
Bonds payable	9,415,000	-	9,415,000	-
Notes payable	295,000	-	295,000	-
Total Current Liabilities	<u>58,437,708</u>	<u>541,896</u>	<u>58,979,604</u>	<u>279,544</u>
Noncurrent Liabilities:				
Bonds payable	211,358,026	-	211,358,026	-
Notes payable	2,546,000	-	2,546,000	-
Compensated absences	948,050	-	948,050	-
Net pension liability	391,741,983	9,013,591	400,755,574	4,826,426
Net OPEB liability - PSERS	17,161,145	394,427	17,555,572	211,428
Net OPEB liability - District	18,222,059	-	18,222,059	-
Total Noncurrent Liabilities	<u>641,977,263</u>	<u>9,408,018</u>	<u>651,385,281</u>	<u>5,037,854</u>
TOTAL LIABILITIES	<u>700,414,971</u>	<u>9,949,914</u>	<u>710,364,885</u>	<u>5,317,398</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension items - PSERS	42,719,829	983,523	43,703,352	526,333
Deferred OPEB items - PSERS	2,076,683	47,730	2,124,413	25,585
Deferred OPEB items - District	1,027,206	-	1,027,206	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,823,718</u>	<u>1,031,253</u>	<u>46,854,971</u>	<u>551,918</u>
NET POSITION				
Net investment in capital assets	20,582,551	127,844	20,710,395	2,878,545
Restricted for library	-	-	-	128,857
Restricted for debt service	10,884,589	-	10,884,589	-
Unrestricted (deficit)	(381,413,606)	(4,422,603)	(385,836,209)	(3,448,364)
TOTAL NET POSITION (DEFICIT)	<u>(349,946,466)</u>	<u>(4,294,759)</u>	<u>(354,241,225)</u>	<u>(440,962)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 396,292,223</u>	<u>\$ 6,686,408</u>	<u>\$ 402,978,631</u>	<u>\$ 5,428,354</u>

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

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 250,202,629	\$ 172,530	\$ 84,632,652	\$ -	\$ (165,397,447)	\$ -	\$ (165,397,447)	\$ -
Instructional student support	22,064,896	-	621,717	-	(21,443,179)	-	(21,443,179)	-
Administrative and financial support services	28,759,943	-	551,142	-	(28,208,801)	-	(28,208,801)	-
Operation and maintenance of plant services	19,440,582	-	4,133,568	-	(15,307,014)	-	(15,307,014)	-
Pupil transportation	4,895,492	-	3,511,614	-	(1,383,878)	-	(1,383,878)	-
Student activities	2,100,209	406,903	-	-	(1,693,306)	-	(1,693,306)	-
Community services	1,655,679	-	-	-	(1,655,679)	-	(1,655,679)	-
Interest on long-term debt	9,063,696	-	6,031,071	-	(3,032,625)	-	(3,032,625)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>338,183,126</u>	<u>579,433</u>	<u>99,481,764</u>	<u>-</u>	<u>(238,121,929)</u>	<u>-</u>	<u>(238,121,929)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:								
Food service	9,125,767	11,496	8,589,264	57,533	-	(467,474)	(467,474)	-
TOTAL PRIMARY GOVERNMENT	<u>347,308,893</u>	<u>590,929</u>	<u>108,071,028</u>	<u>57,533</u>	<u>(238,121,929)</u>	<u>(467,474)</u>	<u>(238,589,403)</u>	<u>-</u>
COMPONENT UNIT	<u>3,126,468</u>	<u>34,898</u>	<u>1,159,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,931,904)</u>
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	<u>\$ 350,435,361</u>	<u>\$ 625,827</u>	<u>\$ 109,230,694</u>	<u>\$ 57,533</u>	<u>(238,121,929)</u>	<u>(467,474)</u>	<u>(238,589,403)</u>	<u>(1,931,904)</u>
GENERAL REVENUES								
Property taxes, levied for general purposes					98,381,008	-	98,381,008	1,604,649
Taxes levied for specific purposes					11,340,645	-	11,340,645	-
Grants, entitlements and contributions not restricted to specific programs					138,325,147	-	138,325,147	-
Investment earnings					64,251	21,025	85,276	29,776
Transfers					251,262	(251,262)	-	-
Other					746,436	-	746,436	-
TOTAL GENERAL REVENUES					<u>249,108,749</u>	<u>(230,237)</u>	<u>248,878,512</u>	<u>1,634,425</u>
CHANGE IN NET POSITION					10,986,820	(697,711)	10,289,109	(297,479)
NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED					<u>(360,933,286)</u>	<u>(3,597,048)</u>	<u>(364,530,334)</u>	<u>(143,483)</u>
NET POSITION (DEFICIT), END OF YEAR					<u>\$ (349,946,466)</u>	<u>\$ (4,294,759)</u>	<u>\$ (354,241,225)</u>	<u>\$ (440,962)</u>

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

ALLENTOWN SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 35,973,222	\$ 1,439,983	\$ 5,269,532	\$ -	\$ 800,514	\$ 43,483,251
Restricted assets:						
Cash and cash equivalents with fiscal agent	-	-	-	1,565	-	1,565
Investments with fiscal agent	-	-	-	10,883,024	-	10,883,024
Accounts receivable	174,379	-	50,000	-	-	224,379
Taxes receivable	6,974,682	-	-	-	-	6,974,682
Due from other funds	4,469,095	-	-	-	-	4,469,095
Due from other governments	19,066,157	-	-	-	-	19,066,157
Due from Allentown Public Library	201,504	-	-	-	-	201,504
Inventories	301,289	-	-	-	3,057	304,346
TOTAL ASSETS	\$ 67,160,328	\$ 1,439,983	\$ 5,319,532	\$ 10,884,589	\$ 803,571	\$ 85,608,003
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 12,082,330	\$ -	\$ 112,673	\$ -	\$ -	\$ 12,195,003
Accrued salaries	11,907,130	-	-	-	-	11,907,130
Payroll deductions and withholdings	18,601,533	-	-	-	-	18,601,533
Unearned revenues	2,831,977	-	-	-	-	2,831,977
TOTAL LIABILITIES	45,422,970	-	112,673	-	-	45,535,643
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	6,974,682	-	-	-	-	6,974,682
TOTAL DEFERRED INFLOWS OF RESOURCES	6,974,682	-	-	-	-	6,974,682
FUND BALANCES:						
Nonspendable	301,289	-	-	-	3,057	304,346
Restricted for capital projects	-	-	5,206,859	-	-	5,206,859
Restricted for debt service	-	-	-	10,884,589	-	10,884,589
Restricted for student activities	-	-	-	-	378,878	378,878
Restricted for playgrounds	-	-	-	-	45,603	45,603
Assigned to capital projects	-	1,439,983	-	-	-	1,439,983
Assigned to student activities	-	-	-	-	376,033	376,033
Unassigned	14,461,387	-	-	-	-	14,461,387
TOTAL FUND BALANCES	14,762,676	1,439,983	5,206,859	10,884,589	803,571	33,097,678
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 67,160,328	\$ 1,439,983	\$ 5,319,532	\$ 10,884,589	\$ 803,571	\$ 85,608,003

The accompanying notes are an integral part of these financial statements

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

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 33,097,678

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets was \$341,161,912 and the accumulated depreciation was \$119,944,391. 221,217,521

Some of the District's revenues will be collected after year end but are not available soon enough to pay the current year's expenditures and therefore are reported as deferred revenue in the governmental funds. 6,974,682

Debt issuances resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights and/or obligations. These assets and liabilities consist of:

Unamortized bond insurance costs	\$ 1,207,427	
Deferred amounts on bond refunding	<u>7,577,197</u>	8,784,624

Other assets are related to long-term debt and are not available to pay for current period expenditures and are therefore not reported in the funds. 288,193

Deferred inflows and outflows related to the District's net pension and OPEB liabilities are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the District's amount of the total pension and OPEB liabilities, and pension and OPEB contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees

Deferred outflows of resources:		
Deferred pension items	74,124,872	
Deferred OPEB items	6,269,010	
Deferred inflows of resources:		
Deferred pension items	(42,719,829)	
Deferred OPEB items	<u>(3,103,889)</u>	34,570,164

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued interest	(3,192,065)	
Bonds and notes payable in future years	(223,614,026)	
Net pension liability	(391,741,983)	
Net OPEB liability	(35,383,204)	
Accumulated compensated absences	<u>(948,050)</u>	<u>(654,879,328)</u>

TOTAL NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (349,946,466)

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

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALNCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
REVENUES						
Local sources	\$ 112,005,731	\$ 82,145	\$ 4,199	\$ (399,542)	\$ 313,220	\$112,005,753
State sources	201,711,736	-	-	-	-	201,711,736
Federal sources	35,657,624	-	-	-	-	35,657,624
TOTAL REVENUES	<u>349,375,091</u>	<u>82,145</u>	<u>4,199</u>	<u>(399,542)</u>	<u>313,220</u>	<u>349,375,113</u>
EXPENDITURES						
Current:						
Instruction	240,296,068	-	75,839	-	-	240,371,907
Support services	72,195,799	-	-	-	-	72,195,799
Operation of noninstructional services	3,505,440	-	-	-	210,961	3,716,401
Debt service:						
Principal, interest and fiscal agent fees	19,080,280	-	-	-	-	19,080,280
Capital outlays	4,114,581	-	1,984,357	-	-	6,098,938
TOTAL EXPENDITURES	<u>339,192,168</u>	<u>-</u>	<u>2,060,196</u>	<u>-</u>	<u>210,961</u>	<u>341,463,325</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,182,923</u>	<u>82,145</u>	<u>(2,055,997)</u>	<u>(399,542)</u>	<u>102,259</u>	<u>7,911,788</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	252,925	-	-	768,733	-	1,021,658
Transfers out	(768,733)	-	(1,663)	-	-	(770,396)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(515,808)</u>	<u>-</u>	<u>(1,663)</u>	<u>768,733</u>	<u>-</u>	<u>251,262</u>
NET CHANGE IN FUND BALANCES	9,667,115	82,145	(2,057,660)	369,191	102,259	8,163,050
FUND BALANCES, BEGINNING OF YEAR AS RESTATED	<u>5,095,561</u>	<u>1,357,838</u>	<u>7,264,519</u>	<u>10,515,398</u>	<u>701,312</u>	<u>24,934,628</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,762,676</u>	<u>\$ 1,439,983</u>	<u>\$ 5,206,859</u>	<u>\$ 10,884,589</u>	<u>\$ 803,571</u>	<u>\$ 33,097,678</u>

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

ALLENTOWN SCHOOL DISTRICT
RECONCILIATION 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 - TOTAL GOVERNMENTAL FUNDS \$ 8,163,050

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$8,547,297 exceeded capital outlay of \$6,098,938 in the period. (2,448,359)

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 increased by this amount this year. (456,428)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.
Principal repayments 9,340,000

Governmental funds report issuance costs as expenditures, bond discounts and deferred amounts as other financing uses and bond premiums as other financing sources. However, these amounts are reported on the statement of net assets as deferred charges and credits and are amortized over the life of the debt. 552,274

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave), pension expense 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 earned exceeded current period compensated absences paid.

Compensated absences	(27,835)	
Pension expense	(3,412,246)	
OPEB expense	(847,945)	
	(4,288,026)	(4,288,026)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 124,309

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 10,986,820

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

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

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 109,899,434	\$ 109,899,434	\$ 112,005,731	\$ 2,106,297
State sources	202,158,098	202,158,098	201,711,736	(446,362)
Federal sources	34,350,223	34,350,223	35,657,624	1,307,401
TOTAL REVENUES	346,407,755	346,407,755	349,375,091	2,967,336
EXPENDITURES				
Current:				
Instruction				
Regular programs, elementary/secondary	165,157,302	165,142,136	161,720,839	3,421,297
Special programs, elementary/secondary	62,925,647	62,926,547	62,244,665	681,882
Vocational education programs	9,949,832	9,949,582	9,986,672	(37,090)
Other instructional programs	2,690,498	2,690,498	3,801,323	(1,110,825)
Adult vocational education programs	460,440	460,440	776,376	(315,936)
Nonpublic school programs	1,465,000	1,465,000	1,726,082	(261,082)
Community/junior college programs	454,192	454,192	40,111	414,081
Total Instruction	<u>243,102,911</u>	<u>243,088,395</u>	<u>240,296,068</u>	<u>2,792,327</u>
Support services				
Pupil personnel	13,038,417	13,038,417	12,759,105	279,312
Instructional staff	3,829,244	3,828,344	4,112,519	(284,175)
Administration	19,879,089	19,919,595	17,032,123	2,887,472
Pupil health	5,010,293	5,010,293	4,317,249	693,044
Business	3,507,753	3,511,418	3,125,951	385,467
Operation and maintenance of plant services	20,785,882	20,785,882	18,093,891	2,691,991
Student transportation services	11,459,578	11,459,578	4,895,492	6,564,086
Central	6,197,999	6,197,999	7,733,976	(1,535,977)
Other support services	128,000	128,000	125,493	2,507
Total Support Services	<u>83,836,255</u>	<u>83,879,526</u>	<u>72,195,799</u>	<u>11,683,727</u>
Operation of noninstructional services				
Student activities	2,256,817	2,260,062	1,849,761	410,301
Community services	2,043,699	2,011,699	1,655,679	356,020
Total Operation of Noninstructional Services	<u>4,300,516</u>	<u>4,271,761</u>	<u>3,505,440</u>	<u>766,321</u>
Debt service				
Principal, interest and fiscal agent fees	18,072,556	18,072,556	19,080,280	(1,007,724)
Facilities acquisition, construction, and improvement services				
Site and building acquisition services	215,000	215,000	4,114,581	(3,899,581)
TOTAL EXPENDITURES	349,527,238	349,527,238	339,192,168	10,335,070
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,119,483)	(3,119,483)	10,182,923	13,302,406
OTHER FINANCING SOURCES (USES)				
Transfers in	1,194,788	1,194,788	252,925	(941,863)
Transfers out	(768,733)	(768,733)	(768,733)	-
TOTAL OTHER FINANCING SOURCES (USES)	426,055	426,055	(515,808)	(941,863)
NET CHANGE IN FUND BALANCES	(2,693,428)	(2,693,428)	9,667,115	12,360,543
FUND BALANCES, BEGINNING OF YEAR	5,095,561	5,095,561	5,095,561	-
FUND BALANCES, END OF YEAR	\$ 2,402,133	\$ 2,402,133	\$ 14,762,676	\$ 12,360,543

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

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021

	Food Service Fund
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 8,731,412
Due from other governments	337,712
Inventories	183,468
TOTAL CURRENT ASSETS	9,252,592
CAPITAL ASSETS:	
Furniture and equipment, net	127,844
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions - PSERS	893,029
Deferred OPEB contributions - PSERS	21,736
Deferred pension items - PSERS	810,639
Deferred OPEB items - PSERS	49,663
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,155,503
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
CURRENT LIABILITIES:	
Unearned revenues	\$ 2,120
Due to other funds	4,469,095
Other current liabilities	539,776
TOTAL CURRENT LIABILITIES	5,010,991
NONCURRENT LIABILITIES:	
Net pension liability - PSERS	9,013,591
Net OPEB liability - PSERS	394,427
DEFERRED INFLOWS OF RESOURCES	
Deferred pension items - PSERS	983,523
Deferred OPEB items - PSERS	47,730
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	15,450,262
NET POSITION:	
Net investment in capital assets	127,844
Unrestricted	(4,422,603)
TOTAL NET POSITION (DEFICIT)	(4,294,759)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 11,155,503

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

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ 8,206
Other operating revenue	3,290
TOTAL OPERATING REVENUES	<u>11,496</u>
OPERATING EXPENSES	
Salaries and wages	2,910,201
Employee benefits	2,136,442
Purchased professional and technical service	6,847
Purchased property services	228,646
Other purchased services	51,926
Supplies	3,765,646
Depreciation	26,059
TOTAL OPERATING EXPENSES	<u>9,125,767</u>
OPERATING LOSS	<u>(9,114,271)</u>
NONOPERATING REVENUES	
State sources	837,529
Federal sources	7,751,735
Interest income	21,025
TOTAL NONOPERATING REVENUES	<u>8,610,289</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(503,982)
Capital grants	57,533
Transfers out	<u>(251,262)</u>
CHANGE IN NET POSITION	(697,711)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(3,597,048)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (4,294,759)</u>

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

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 11,496
Payments to suppliers	(6,098,168)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>(6,086,672)</u></u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	837,529
Federal sources	7,162,227
Transfers out	(251,262)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u><u>7,748,494</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	57,533
Acquisition of capital assets	(15,870)
NET CASH USED BY CAPITAL AND FINANCING ACTIVITIES	<u><u>41,663</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	21,025
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u><u>21,025</u></u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,724,510
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u><u>7,006,901</u></u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 8,731,411</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (9,114,271)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	26,059
USDA donated commodities	354,369
Changes in assets and liabilities:	
Decrease in inventories	83,081
Increase in deferred pension contributions	24,358
Increase in deferred pensions	(30,067)
Increase in deferred OPEB contributions	1,302
Decrease in deferred OPEB	2,496
Increase in net pension liability	(530,180)
Decrease in net OPEB liability	(39,005)
Increase in deferred pension	614,327
Increase in deferred OPEB	33,933
Increase in due to other funds	2,195,161
Decrease in other liabilities	291,765
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (6,086,672)</u></u>
SUPPLEMENTAL DISCLOSURE:	
NONCASH NONCAPITAL FINANCING ACTIVITY:	
USDA donated commodities	<u><u>\$ 354,369</u></u>

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

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

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 736,219
 TOTAL ASSETS	 \$ 736,219
 NET POSITION:	
Restricted	736,219
TOTAL NET POSITION	736,219
 TOTAL NET POSITION	 \$ 736,219

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

ALLENTOWN SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
ADDITIONS	
Local sources	\$ 168,975
TOTAL ADDITIONS	168,975
DEDUCTIONS	
Deductions	106,327
TOTAL DEDUCTIONS	106,327
CHANGE IN NET POSITION	62,648
NET POSITION, BEGINNING OF YEAR, RESTATED	673,571
NET POSITION, END OF YEAR	\$ 736,219

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

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allentown School District ("the District") was incorporated in 1866 under the provisions of the Commonwealth of Pennsylvania. The District operates 15 elementary schools, four middle schools, and three senior high schools to provide education and related services to the residents of the City of Allentown. 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 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61 and No. 80, established the criteria for determining the activities, organizations, 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. Based on these criteria, the District has determined that the Allentown Public Library ("the Library") is a component unit of the District.

The District appoints the Library board for terms of three years and reviews the Library budget. The Library also receives a majority of its revenues from an appropriation of real estate taxes levied by the District.

The Library is a discretely presented component unit and is reported in a separate column in the entity-wide financial statements to emphasize that it is legally separate from the government. Complete financial statements for the Library may be obtained at the Library's administrative offices at 31 South Penn Street, Allentown, Pennsylvania.

Basis of Presentation

Entity-wide Financial Statements

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

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

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

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

Fund Financial Statements

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

Governmental Funds

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

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for the proceeds of general obligation notes and bonds and for the acquisition, construction, and renovation of major capital facilities and their related capital assets as described in the note agreements.
- The Capital Reserve Fund is used to account for funds set aside for intended capital expenditure projects.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. During the year ended June 30, 2021, the District recognized certain revenues from the Commonwealth of Pennsylvania, which were received more than 60 days after year end but are usually received within 60 days of year end. The District determined that their exclusion would be misleading to the financial statements. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

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

Expenditure Recognition

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

Proprietary Funds

The District's only major proprietary fund is the Food Service Fund and is used to account for all financial transactions related to the food service operation. Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary fund. The District allocates "building-wide costs" to the proprietary fund. Specifically, general fund expenditures that partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are recognized proportionately within the proprietary fund.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Custodial funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust funds. The private purpose trust funds account for funds held on behalf of students and employees of the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value.

In establishing the fair value of investments, the District uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

State subsidies represent current year entitlements and are recognized as revenue in the current fiscal year even though funds may be received in the following year. Federal program funds applicable to expenditures of the current fiscal year but expected to be received in the next fiscal year are accrued as current year revenues.

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

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – September 5	- Discount period, 2% of gross levy
September 6 – November 5	- Face period
November 6 – December 31	- Penalty period, 10% of gross levy
January 1	- Lien date

Tax Abatement Programs

In 2017, the District adopted GASB Statement 77, *Tax Abatement Disclosures*. In accordance with the Commonwealth of Pennsylvania, Keystone Opportunity Zone (KOZ) Act, 73 P.S. Sections 820.101-820.1309 (the Act), the City of Allentown has designated certain zones within the School District of Allentown where certain businesses and residents are eligible for tax abatement, deduction, exemption or credit. Businesses, property owners and residents that are located in the KOZ are eligible to receive significant state and local tax benefits. Projects in the KOZ are given priority consideration for assistance under various community and economic building initiatives. Eligibility means that the qualified businesses, property owners and residents meet the necessary criteria listed in the Act based upon an annual application and certification. Pennsylvania businesses relocating to the KOZ must either increase their full-time employment by 20% within the first full year of operation, or make a 10% capital investment in the KOZ property based on their prior year's gross revenues. If qualified businesses, property owners or residents relocate out of the KOZ within a stipulated period of time, certain percentages of the exemptions, deductions, abatements or credits shall be refunded to the Commonwealth and political subdivision. The total amount of District property taxes that were abated in 2021 was approximately \$148,446.

In accordance with Pennsylvania Act 50 of 2009 and Act 26 of 2011, the City of Allentown has established a Neighborhood Improvement Zone (NIZ) within the School District of Allentown whereby state and local taxes collected from eligible businesses located in and individuals working within the NIZ are collected and remitted to the Allentown Neighborhood Improvement Zone Development Authority (ANIZDA). The taxes collected from businesses and individuals within the NIZ are used to fund the various economic development projects within the NIZ. All potential NIZ projects must be geographically located within the NIZ and must go through a pre-qualification, application and, if approved, closing process. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service on the project. The types of taxes include earned income and local services. The total amount the District remitted to the ANIZDA during 2021 was approximately \$229,359.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items and Inventories

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

The District's general fund inventory, except stock supplies, is expensed under the purchase method, and all other general fund inventory is charged to inventory when purchased and expensed when used under the consumption method. Supplies are taken out of inventory using the weighted average cost method. The District's food service fund inventory of food and supplies, except inventory donated by the USDA, is valued at last unit cost and expensed as used. Donated food from the U.S. Department of Agriculture is recorded at fair value at the time of donation.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$6,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

Land improvements	20 years
Buildings and improvements	20 – 50 years
Furniture and equipment	5 – 20 years
Vehicles	8 years

Compensated Absences

Employees are compensated for longevity payments, and sick and vacation days as stipulated in their collective bargaining agreements. The liability for these compensated absences is recorded as a long-term liability in the entity-wide financial statements. In the fund financial statements, governmental funds report the compensated absence liability only to the extent that it is payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Prepaid bond insurance costs are reported as a deferred charge and amortized over the life of the debt. All other issuance costs are expensed when incurred. All amortized amounts are amortized using the straight-line method.

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

Net Position

Net position represents the difference between assets and deferred outflows of resources versus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, plus any proceeds still held in cash, cash equivalents, or investment accounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund Balances

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

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

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

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

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

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board or Chief Financial Officer have provided otherwise in its commitment or assignment actions.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and balance sheet - governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has five items that qualify for reporting in this category. The first is the deferred charge on bond refunding reported in the statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is pension contributions made subsequent to the measurement date and, therefore, not reflected in the net pension liability under full accrual basis reporting. This item is reported as a deferred outflow of resources on the entity-wide and proprietary fund statement of net position. The third item is the unamortized portion of contributions made in excess of the District's share of the proportionate contributions into its pension plan. The fourth item is OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net OPEB liability under full accrual basis reporting. This item is reported as a deferred outflow of resources on the entity-wide and proprietary fund statement of net position. The fifth item is the unamortized portion of contributions made in excess of the District's share of the proportionate contributions into its OPEB plan.

In addition to liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has two types of items that qualify for reporting in this category. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows of resources on the statement of net position.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of GASB Statements

The District adopted the provisions of GASB issued Statement No. 84, *Fiduciary Activities*. The adoption of this statement changed the presentation of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as well as resulted in a restatement of governmental funds balance, governmental activities and custodial net position.

The District adopted the provisions of GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The adoption of this statement has no effect on previously reported amounts.

The District adopted the provisions of GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The adoption of this statement has no effect on previously reported amounts.

The District adopted the provisions of GASB issued Statement No. 99, *Omnibus 2022*. The adoption of this statement has no effect on previously reported amounts.

Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, *Leases*. The District is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District is required to adopt Statement No. 89 for its fiscal year 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The District is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The District is required to adopt the provisions of Statement No. 92 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is required to be adopted by the District for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is required to be adopted by the District for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is required to be adopted by the District for its fiscal year 2023 financial statements.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement is required to be adopted by the District for its fiscal year 2023 and 2024 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located and within 20 days of final action that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to the date final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

NOTE 3 DEPOSITS

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds.

ALLENTOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

NOTE 3 DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2021, the carrying amount of the District's deposits was \$46,748,058, and the bank balance was \$50,944,185. Of the bank balance, \$265,885 was covered by federal depository insurance, and \$50,678,300 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

The District also had cash deposits in the amount of \$6,287,587 with a carrying value of \$6,204,389 in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of June 30, 2021, PLGIT was rated as AAAM by a nationally recognized statistical rating agency.

Discretely Presented Component Unit

At June 30, 2021, the carrying amount of the Library's deposits was \$1,206,619, and the bank balance was \$1,214,123. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$964,123 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the Library's name.

NOTE 4 INVESTMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2021:

	Fair Value	Level 1	Matures In Greater Than Ten Years
U.S. Treasury bonds and notes	\$ 10,883,024	\$ 10,883,024	\$ 10,883,024

Credit Risk

As of June 30, 2021, the District's investments in U.S. Treasury bonds and notes are backed by the full faith and credit of the U.S. government and are not considered to have credit risk.

Interest Rate Risk

As of June 30, 2021, all of the District's investments in U.S. Treasury notes have maturities of 10 to 15 years. The District does not have a policy for interest rate risk.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 4 INVESTMENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of June 30, 2021, the District did not have any investments subject to custodial credit risk.

Discretely Presented Component Unit

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Library has the following recurring fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Matures in Less Than One Year</u>
Equity mutual funds	\$ 12,536	\$ 12,536	\$ 12,536
Bond mutual funds	<u>128,857</u>	<u>128,857</u>	<u>128,857</u>
TOTAL	<u>\$ 141,393</u>	<u>\$ 141,393</u>	<u>\$ 141,393</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 9,113,385	\$ -	\$ -	\$ 9,113,385
Construction-in-progress	38,074,291	364,443	37,871,878	566,856
Total Capital Assets Not Being Depreciated	<u>47,187,676</u>	<u>364,443</u>	<u>37,871,878</u>	<u>9,680,241</u>
Capital assets being depreciated:				
Land improvements	5,461,636	7,990	-	5,469,626
Buildings and improvements	251,444,789	41,373,546	-	292,818,335
Furniture and equipment	30,968,873	2,224,837	-	33,193,710
Total Capital Assets Being Depreciated	<u>287,875,298</u>	<u>43,606,373</u>	<u>-</u>	<u>331,481,671</u>
Less accumulated depreciation for:				
Land improvements	2,634,541	197,794	-	2,832,335
Buildings and improvements	84,717,691	7,051,169	-	91,768,860
Furniture and equipment	24,044,862	1,298,334	-	25,343,196
Total Accumulated Depreciation	<u>111,397,094</u>	<u>8,547,297</u>	<u>-</u>	<u>119,944,391</u>
Total Capital Assets Being Depreciated, Net	<u>176,478,204</u>	<u>35,059,076</u>	<u>-</u>	<u>211,537,280</u>
Governmental Activities, Net	<u>\$ 223,665,880</u>	<u>\$ 35,423,519</u>	<u>\$37,871,878</u>	<u>\$ 221,217,521</u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,918,361	\$ 15,870	\$ -	\$ 1,934,231
Total Capital Assets Being Depreciated	<u>1,918,361</u>	<u>15,870</u>	<u>-</u>	<u>1,934,231</u>
Less accumulated depreciation for:				
Furniture and equipment	1,780,328	26,059	-	1,806,387
Total Accumulated Depreciation	<u>1,780,328</u>	<u>26,059</u>	<u>-</u>	<u>1,806,387</u>
Business-Type Activities, Net	<u>\$ 138,033</u>	<u>\$ (10,189)</u>	<u>\$ -</u>	<u>\$ 127,844</u>

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

Governmental Activities:	
Instruction	\$ 6,602,521
Instructional student support	582,198
Administrative and financial support services	766,376
Operation and maintenance of plant services	545,377
Student activities	50,825
Total Depreciation Expense - Governmental Activities	<u>\$ 8,547,297</u>
Business-type Activities - Food Service	<u>\$ 26,059</u>

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 5 CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Unit

Activity for Allentown Public Library for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 209,941	\$ -	\$ -	\$ 209,941
Total Capital Assets Not Being Depreciated	<u>209,941</u>	<u>-</u>	<u>-</u>	<u>209,941</u>
Capital assets being depreciated:				
Land improvements	67,872	-	-	67,872
Buildings and improvements	6,086,138	16,832	-	6,102,970
Furniture and equipment	403,284	24,882	-	428,166
Total Capital Assets Being Depreciated	<u>6,557,294</u>	<u>41,714</u>	<u>-</u>	<u>6,599,008</u>
Less accumulated depreciation for:				
Land improvements	63,330	879	-	64,209
Buildings and improvements	3,173,426	296,979	-	3,470,405
Furniture and equipment	391,727	4,063	-	395,790
Total Accumulated Depreciation	<u>3,628,483</u>	<u>301,921</u>	<u>-</u>	<u>3,930,404</u>
Total Capital Assets Being Depreciated, Net	<u>2,928,811</u>	<u>(260,207)</u>	<u>-</u>	<u>2,668,604</u>
Total Capital Assets, Net	<u>\$ 3,138,752</u>	<u>\$ (260,207)</u>	<u>\$ -</u>	<u>\$ 2,878,545</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

	Due From	Due To
General Fund	\$4,469,095	\$ -
Food Service Fund	-	4,469,095
	<u>\$4,469,095</u>	<u>\$4,469,095</u>

Interfund balances between funds result mainly from the time lag between when reimbursable expenditures occur and payments between the funds have been made. The balances generally are paid shortly after year end.

Interfund transfers for the year ended June 30, 2021 are as follows:

Transfer In	Transfer Out	Amount
General Fund	Food Service Fund	\$ 251,262
General Fund	Capital Projects Fund	1,663
Debt Service Fund	General Fund	768,733

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Transfers represent annual budgeted amounts transferred from the food service fund to the general fund for indirect charges related to food service operations. Transfers also include amounts deposited into a sinking fund (the Debt Service Fund) for future debt service payments as required by the repayment terms on the Qualified Zone Academy Bonds ("QZAB") and Qualified School Construction Bonds ("QSCB") disclosed in Note 7.

NOTE 7 LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due in One Year
Bonds payable	\$210,261,000	\$ -	\$ 9,060,000	\$201,201,000	\$ 9,415,000
Bonds premium	21,498,440	-	1,900,316	19,598,124	-
Bonds discount	(29,657)	-	3,559	(26,098)	-
Notes payable	3,121,000	-	280,000	2,841,000	295,000
Accumulated compensated absences	920,215	27,835	-	948,050	-
TOTALS	\$235,770,998	\$ 27,835	\$ 11,243,875	\$224,562,076	\$ 9,710,000

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

General Obligation Bonds

Series A of 2010 QSCB, requiring sinking deposits through September 2027, bearing interest of 5.00%, interest payable semi-annually in March and September \$ 5,666,000

Series C of 2010 QZAB, requiring sinking deposits through September 2028, bearing interest of 6.495%, interest payable semi-annually in March and September 8,970,000

Series of 2011 QZAB, requiring sinking deposits through September 2026, bearing interest of 5.426%, interest payable semi-annually in March and September 2,000,000

Series A of 2014, maturing through March 2024, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually in March and September 1,805,000

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Continued)

Series B of 2016, maturing through June 2025, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually in August and February	20,230,000
Series A of 2017, maturing through February 2028, bearing interest ranging from 1.30% to 2.81%, interest payable semi-annually in August and February	9,875,000
Series of 2017, maturing through June 2037, bearing interest ranging from 1.10% to 3.25%, interest payable semi-annually in June and December	8,440,000
Series of 2018, maturing through February 2029, bearing interest of 5%, interest payable semi-annually in August and February	19,140,000
Series of 2018 B, maturing through February 2028, bearing interest ranging from 3.00% to 4.00%, interest payable semi-annually in February and August	24,575,000
Series of 2018 A, maturing through June 2028, bearing interest of 5%, interest payable semi-annually in June and December	3,025,000
Series of 2019 A, maturing through January 2028 bearing interest ranging from 2.65% to 3.24%, interest payable semi-annually in July and January.	7,545,000
Series of 2019 B, maturing through January 2034 bearing interest of 5%, interest payable semi-annually in July and January.	58,925,000
Series of 2019 C, maturing through January 2037 bearing interest of 4%, interest payable semi-annually in July and January.	24,415,000
Series of 2019 D, maturing through January 2027 bearing interest ranging from 2.65% to 3.16%, interest payable semi-annually in July and January.	<u>6,590,000</u>
TOTAL BONDS	<u>\$ 201,201,000</u>

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

General Obligation Notes

Series of 2011 QSCB , requiring sinking fund deposits through March 2030, bearing interest of 5.0888%, interest payable semi-annually in March and September 891,000

Construction Loan

Note payable maturing through March 2027, with interest as a fixed rate of 2.75% 1,950,000

TOTAL NOTES 2,841,000

TOTAL BONDS AND NOTES \$ 204,042,000

Annual debt service requirements to maturity, including the mandatory sinking fund deposits, for the bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 9,710,000	\$ 9,195,301	\$ 18,905,301
2023	10,205,000	8,832,576	19,037,576
2024	9,560,000	8,459,043	18,019,043
2025	9,945,000	8,285,017	18,230,017
2026	9,765,000	9,511,002	19,276,002
2027-2031	61,710,000	29,496,650	91,206,650
2032-2036	63,305,000	11,351,350	74,656,350
2037	<u>12,315,000</u>	<u>604,200</u>	<u>12,919,200</u>
	186,515,000	85,735,139	272,250,139
Sinking fund deposits	<u>17,527,000</u>	<u>-</u>	<u>17,527,000</u>
 TOTAL	 <u>\$204,042,000</u>	 <u>\$ 85,735,139</u>	 <u>\$289,777,139</u>

On July 2, 2020, the District issued a Tax and Revenue Anticipation Note, Series 2019 in the principal amount of \$30,000,000. The 2020 TRAN was paid off by the District in March 2021.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 8 FUND BALANCES

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

	General Fund	Capital Reserve Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ 301,289	\$ -	\$ -	\$ -	\$ 3,057	\$ 304,346
Restricted:						
Capital projects	-	1,439,983	5,206,859	-	-	6,646,842
Debt service	-	-	-	10,884,589	-	10,884,589
Student Activities	-	-	-	-	378,878	378,878
Playground	-	-	-	-	45,603	45,603
Assigned:						
Student activities	-	-	-	-	376,033	376,033
Unassigned	14,461,387	-	-	-	-	14,461,387
TOTAL FUND BALANCES	\$14,762,676	\$1,439,983	\$5,206,859	\$10,884,589	\$ 803,571	\$33,097,678

NOTE 9 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained 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 became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 9 PENSION PLAN (CONTINUED)

Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

Member Contributions

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

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

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

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

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 9 PENSION PLAN (CONTINUED)

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.69% of covered payroll (33.45% for 2020) which includes .18% for the Act 5 defined contribution plan members, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's contribution to PSERS for the year ended June 30, 2021 was \$39,747,852. The Library's contribution to PSERS for the year ended June 30, 2021 was \$478,696.

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

At June 30, 2021, the District and the Library reported a total liability of \$405,582,000 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 relates to the total one-year reported covered payroll. At June 30, 2020, the District's and Library's proportion was 0.8237 percent, which was an decrease of 0.09 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District and the Library recognized net pension expense of \$3,532,722. At June 30, 2021, the District and the Library 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	\$ 17,824,783	\$ -
Difference between expected and actual experience	1,061,008	9,720,746
Changes in proportions	15,302,000	33,780,000
Difference between employer contributions and proportionate share of total contributions	2,327,428	728,939
Contributions subsequent to the date of measurement	40,226,548	-
	\$ 76,741,767	\$ 44,229,685

ALLENTOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

NOTE 9 PENSION PLAN (CONTINUED)

An amount of \$40,226,548 is reported as deferred outflows of resources resulting from the District's and the Library's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2022	\$ (7,564,341)
2023	(138,731)
2024	1,182,353
2025	(1,193,747)
2066	-
	<u>\$ (7,714,466)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the District'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 – Normal level percent of pay.
- Investment return – 7.25%, including inflation of 2.75%.
- Salary Growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The Plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

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

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

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

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 9 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.12%.

Discount Rate

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

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

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

	1% Decrease <u>6.25%</u>	Current Rate Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's and Library's proportionate share of the net pension liability	\$501,790,000	\$405,582,000	\$324,080,000

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 10 JOINT VENTURE

The District is a participating member of the Lehigh Carbon Community College (“the College”). The College is governed by a Board of Trustees composed of representatives from each of the 13 member school districts and two at-large representatives. A vote of two-thirds of all member school districts is required for approval of the College's annual operating and debt service budget. Each member school district pays a share of the operating costs of the College based on a five-year average of student membership from each school district. Each member school district also pays a share of the debt service budget of the College based upon the 2005 market valuation as certified by the Pennsylvania State Tax Equalization Board. The financial statements of the College are available from the College business office located at 4526 Education Park Drive, Schnecksville, PA 18078-2598. For the year ended June 30, 2021, the District's share of the operating and debt service budget was \$1,681,486.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS

District Healthcare Plan

Plan Description

The District administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers both active and retired members. Benefit provisions are established and may be amended through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Retired participants	103
Active employees	<u>2,244</u>
	<u>2,347</u>

Funding Policy

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)

Total OPEB Liability

The District's total OPEB liability of \$18,222,059 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.5%
Salary Increases	Composed of a 2.5% cost of living adjustment, 1% real wage growth, and merit increases which vary by age from 2.75% - 0%
Discount Rate	3.36%
Healthcare cost trend rates	6% for 2018, 5.5% from 2019 - 2021. Rate decreases from 5.4% in 2022 to 3.8% in 2075. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. Retiree contributions are assumed to increase at the same rate as the Healthcare

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2020.

Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement. A recent actuarial experience study was not performed.

Changes in Assumptions

The discount rate changed from 3.36% to 1.86%. The trend assumption was updated.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of July 1, 2020. The net OPEB liability is \$18,222,059, all of which is unfunded. As of June 30, 2021, the total OPEB liability of \$18,222,059 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)

The District's change in its total OPEB liability for the year ended June 30, 2021 was as follows:

Total OPEB liability

Service cost	\$	963,750
Interest		532,041
Changes of assumptions		2,108,141
Benefit payments		<u>(551,316)</u>
 Net change in total OPEB liability		 3,052,616
Total OPEB liability - 7/1/2019		<u>15,169,443</u>
Total OPEB liability - 7/1/2020	\$	<u><u>18,222,059</u></u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,593,267. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,962,752	\$ 562,740
Difference between expected and actual experience	509,873	464,466
Contributions subsequent to the date of measurement	<u>689,901</u>	<u>-</u>
	<u><u>\$ 3,162,526</u></u>	<u><u>\$ 1,027,206</u></u>

\$689,901 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2022	\$	(97,476)
2023		(97,476)
2024		(97,476)
2025		(97,476)
2026		(97,476)
Thereafter		<u>(958,039)</u>
	\$	<u><u>(1,445,419)</u></u>

ALLENTOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% point lower (0.86%) or 1 percentage point higher (2.86%) than the current discount rate:

	1% Decrease 0.86%	Current Rate Discount Rate 1.86%	1% Increase 2.86%
District's total OPEB liability	\$ 19,653,613	\$ 18,222,059	\$ 16,858,141

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

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

	1% Decrease Between 2.8% to 5%	Current Trend Rate Between 3.8% to 6%	1% Increase Between 4.8% to 7%
District's total OPEB liability	\$ 15,801,167	\$ 18,222,059	\$ 21,152,836

PSERS Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan") and Health Options Program ("HOP"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, 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.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing bills in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

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

Employer Contributions. The School Districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 0.82% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$979,084 for the year ended June 30, 2021.

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

At June 30, 2021, the District and the Library reported a liability of \$17,767,000 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 and Library's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2021, the District's proportion was 0.8237%, which was an decrease of 0.09% from its proportion measured as of June 30, 2020.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)

For the year ended June 30, 2021, the District and Library recognized OPEB expense of (\$57,378). 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	\$ 30,657	\$ -
Difference between expected and actual experience	163,479	-
Changes of assumptions	724,030	389,820
Changes in proportions	1,254,000	1,726,000
Difference between employer contributions and proportionate share of total contributions	64,906	34,178
Contributions subsequent to the date of measurement	979,084	-
	\$ 3,216,156	\$ 2,149,998

\$979,084 reported as deferred outflows of resources related to OPEB resulting from District and Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2022	\$ 77,931
2023	74,816
2024	70,900
2025	145,244
2026	(60,006)
Thereafter	(221,811)
	\$ 87,074

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and 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.

ALLENTOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

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

Change in Actuarial Assumptions

The discount rate used to measure the Total OPEB liability decreased from 2.79% as of June 30, 2019 to 2.66% as of June 30, 2020. A recent actuarial experience study was not performed.

Investments

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. 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 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	3.2%	-0.1%
	<u>100.0%</u>	

ALLENTOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLANS (CONTINUED)
Discount Rate

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

Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease <u>Between 4% to 6.50%</u>	Current Trend Rate <u>Between 5% to 7.50%</u>	1% Increase <u>Between 6% to 8.50%</u>
District's proportionate share of the net OPEB liability	\$ 17,765,000	\$ 17,767,000	\$ 17,769,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

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

	1% Decrease <u>1.66%</u>	Current Rate Discount Rate <u>2.66%</u>	1% Increase <u>3.66%</u>
District's proportionate share of the net OPEB liability	\$20,258,000	\$17,767,000	\$15,705,000

OPEB plan fiduciary net position.

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

ALLENTOWN SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims would not have a materially adverse effect on the District's finances.

NOTE 13 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

Vocational education programs	\$ 37,090
Other instructional programs	1,110,825
Nonpublic school programs	315,936
Adult vocational education programs	261,082
Instructional Staff	284,175
Central Support Services	1,535,977
Principal, Interest and Fiscal Agent Fees	1,007,724
Site and Building Acquisition	3,899,581

The excess of expenditures over appropriations was financed with current year savings in other budget appropriation line items.

NOTE 14 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for worker's compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage during the 2020-2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 RELATED PARTY TRANSACTIONS

The District has various transactions with Allentown Public Library, which is a component unit of the District. The Library received a substantial portion of its support from the District during the year ended June 30, 2021. The District also provides certain general and administrative services to the Library. As of June 30, 2021, the Library owed the District \$201,504 for the Library's portion of the state retirement and social security subsidies.

ALLENTOWN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 16 DEFICIT NET POSITION

For governmental activities and business-type activities (food service fund), the unrestricted net deficit amounts of \$381,413,606 and \$4,422,603, respectively, includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the District's share of the net pension and net OPEB liabilities. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings and expected and actual experience.

NOTE 17 RISKS AND UNCERTANTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the District's operations and financial results are uncertain at this time.

NOTE 18 RESTATEMENTS

The following restatements were necessary to reflect the adoption of the provisions of GASB Statement No. 84, *Fiduciary Activities* in which the District changed its classification and presentation of custodial funds in its governmental and fiduciary fund financial statements.

	Governmental Activities	Nonmajor Funds	Custodial Funds
Net Position/Fund Balance, as previously stated	\$(361,229,127)	\$405,471	\$ -
Understatement due to change in Custodial Funds	295,841	295,841	673,571
Net Position/Fund Balance, as restated	\$(360,933,286)	\$701,312	\$673,571

NOTE 19 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through May 25, 2022, the date the financial statements were available to be issued.

On July 1, 2021, the District issued a Tax and Revenue Anticipation Note, Series 2021 in the principal amount of \$20,000,000. The 2021 TRAN was paid off by the District in December 2021.

REQUIRED
SUPPLEMENTARY
INFORMATION

ALLENTOWN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S AND LIBRARY'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2021

	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 and Library's proportion of the net pension liability	0.8237%	0.9180%	0.8825%	0.8363%	0.8195%	0.7993%	0.8260%
District's and Library's proportion of the net pension liability dollar value	\$ 405,582,000	\$ 429,464,000	\$ 423,644,000	\$ 413,035,000	\$ 406,118,000	\$ 346,219,000	\$ 326,936,000
District's and Library's covered payroll	\$ 115,417,614	\$ 126,609,347	\$ 118,846,819	\$ 111,339,682	\$ 106,128,827	\$ 100,546,278	\$ 105,406,602
District's and Library's proportionate share of the net pension liability as a percentage of its covered payroll	351.40%	339.20%	356.46%	370.97%	382.67%	344.34%	310.17%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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.

ALLENTOWN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S AND LIBRARY'S PENSION CONTRIBUTIONS
 JUNE 30, 2021

	<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>
Contractually required contribution	\$ 40,226,548	\$ 41,323,731	\$ 39,691,326	\$ 37,400,043	\$ 33,037,254	\$ 26,572,054	\$ 20,611,987
Contributions in relation to the contractually required contribution	<u>40,226,548</u>	<u>41,323,731</u>	<u>39,691,326</u>	<u>37,400,043</u>	<u>33,037,254</u>	<u>26,572,054</u>	<u>20,611,987</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's and Library's covered payroll	\$ 119,402,042	\$ 115,417,614	\$ 126,609,347	\$ 118,846,819	\$ 111,339,682	\$ 106,128,827	\$ 100,546,278
Contributions as a percentage of covered payroll	33.69%	35.80%	31.35%	31.47%	29.67%	25.04%	20.50%

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

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -
RETIREES HEALTH PLAN
JUNE 30, 2021

Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Service cost	\$ 963,750	\$ 894,772	\$ 834,043	\$ 852,198
Interest	532,041	443,881	443,271	362,333
Differences between expected and actual experience	-	594,853	-	(650,254)
Changes of assumptions	2,108,141	(465,741)	6,609	(228,949)
Benefit payments	<u>(551,316)</u>	<u>(652,137)</u>	<u>(563,090)</u>	<u>(876,473)</u>
Net change in total OPEB liability	3,052,616	815,628	720,833	(541,145)
Total OPEB liability - Beginning of Year	<u>15,169,443</u>	<u>14,353,815</u>	<u>13,632,982</u>	<u>14,174,127</u>
Total OPEB liability - End of Year	<u>\$ 18,222,059</u>	<u>\$ 15,169,443</u>	<u>\$ 14,353,815</u>	<u>\$ 13,632,982</u>
Covered payroll	\$ 110,086,557	\$ 110,086,557	\$ 107,069,600	\$ 107,069,600
District's total OPEB liability as a percentage of covered payroll	16.55%	13.78%	13.41%	12.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S AND LIBRARY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY - PSERS PLAN
JUNE 30, 2021

	Measurement Date				
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's and Library's proportion of the net OPEB liability	0.8237%	0.9180%	0.8825%	0.8363%	0.8195%
District's and Library's proportion of the net OPEB liability	\$ 17,767,000	\$ 19,524,000	\$ 18,400,000	\$ 17,039,000	\$ 17,652,000
District's and Library's covered payroll	\$ 115,417,614	\$ 126,609,347	\$ 118,846,819	\$ 111,339,682	\$ 106,128,827
District's and Library's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.39%	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.56%	5.73%	5.47%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

ALLENTOWN SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S AND LIBRARY'S
 CONTRIBUTIONS - PSERS PLAN
 JUNE 30, 2021

	<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>
Contractually required contribution	\$ 979,084	\$ 1,037,727	\$ 1,010,545	\$ 978,010	\$ 936,996
Contributions in relation to the contractually required contribution	<u>979,084</u>	<u>1,037,727</u>	<u>1,010,545</u>	<u>978,010</u>	<u>936,996</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's and Library's covered payroll	\$ 119,402,042	\$ 115,417,614	\$ 126,609,347	\$ 118,846,819	\$ 111,339,682
Contributions as a percentage of covered payroll	0.82%	0.90%	0.80%	0.82%	0.84%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY
INFORMATION

ALLENTOWN SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Special Revenue Funds				Totals
	Athletic Fund	JBC Fund	Student Activity Fund	Playground Fund	
ASSETS					
Cash and cash equivalents	\$ 87,192	\$ 288,841	\$ 378,878	\$ 45,603	\$ 800,514
Inventory	-	3,057	-	-	3,057
TOTAL ASSETS	<u>\$ 87,192</u>	<u>\$ 291,898</u>	<u>\$ 378,878</u>	<u>\$ 45,603</u>	<u>\$ 803,571</u>
FUND BALANCES:					
Nonspendable - inventory	-	3,057	-	-	3,057
Restricted for playgrounds	-	-	-	45,603	45,603
Restricted for student activities	-	-	378,878	-	378,878
Assigned	87,192	288,841	-	-	376,033
TOTAL FUND BALANCES	<u>\$ 87,192</u>	<u>\$ 291,898</u>	<u>\$ 378,878</u>	<u>\$ 45,603</u>	<u>\$ 803,571</u>

ALLENTOWN SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds				Totals
	Athletic Fund	JBC Fund	Student Activity Fund	Playground Fund	
REVENUES					
Local sources	\$ 278	\$ 770	\$ 223,308	\$ 88,864	\$ 313,220
TOTAL REVENUES	<u>278</u>	<u>770</u>	<u>223,308</u>	<u>88,864</u>	<u>313,220</u>
EXPENDITURES					
Operation of noninstructional services	9,742	-	201,219	-	210,961
TOTAL EXPENDITURES	<u>9,742</u>	<u>-</u>	<u>201,219</u>	<u>-</u>	<u>210,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,464)</u>	<u>770</u>	<u>22,089</u>	<u>88,864</u>	<u>102,259</u>
NET CHANGE IN FUND BALANCES	(9,464)	770	22,089	88,864	102,259
FUND BALANCE, BEGINNING OF YEAR AS RESTATED	<u>96,656</u>	<u>291,128</u>	<u>356,789</u>	<u>(43,261)</u>	<u>701,312</u>
FUND BALANCE, END OF YEAR	<u>\$ 87,192</u>	<u>\$ 291,898</u>	<u>\$ 378,878</u>	<u>\$ 45,603</u>	<u>\$ 803,571</u>

SINGLE
AUDIT
SUPPLEMENT



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Allentown School District
Allentown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Allentown School District ("the District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 25, 2022.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings #2021-001 and #2021-002 to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Board of School Directors
Allentown School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding #2021-001.

Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
May 25, 2022



Zelenkofske Axlerod LLC

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REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Allentown School District
Allentown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Allentown 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 each of 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 questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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.

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 of its major federal programs for the year ended June 30, 2021.

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Board of School Directors
Allentown School District
Page 2

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings #2021-001 and #2021-003. Our opinion on each major federal program is not modified with respect to these matters.

The Allentown School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as findings #2021-001, #2021-002, and 2021-003 that we consider to be material weaknesses.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Zelenkofske Axlerod LLC

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Board of School Directors
Allentown School District
Page 3

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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
May 25, 2022

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued (Deferred) Revenue 07/01/2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 06/30/2021	Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Passed through PA State System of Higher Education											
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334	2019-GEARUP3-ASD-05	7/1/2020-6/30/2021	\$ 1,163,455	\$ 562,661	\$ 289,669	\$ 300,757	\$ 300,757	\$ 27,765	\$ -
Total ALN 84.334						562,661	289,669	300,757	300,757	27,765	-
Passed through PA Department of Education											
Title I Grants to Local Educational Agencies	I	84.010	042-190007	9/9/19-9/30/20	1,844,642	567,582	(13,923)	581,505	581,505	-	-
Title I Grants to Local Educational Agencies	I	84.010	042-200007	2/21/21-9/30/21	1,722,777	861,389	-	361,562	361,562	(499,827)	-
Title I Grants to Local Educational Agencies	I	84.010	013 200007	7/1/19-9/30/20	12,048,384	4,818,827	1,213,639	3,605,188	3,605,188	-	-
Title I Grants to Local Educational Agencies	I	84.010	013 210007	7/1/20-9/30/21	11,911,686	8,742,138	-	6,842,491	6,842,491	(1,899,647)	-
Total ALN 84.010						14,989,936	1,199,716	11,390,746	11,390,746	(2,399,474)	-
Twenty-First Century Community Learning Centers	I	84.287	4100068046	7/1/20-6/30/21	399,000	87,956	54,747	33,209	33,209	-	-
Twenty-First Century Community Learning Centers	I	84.287	4100071616	7/1/20-6/30/21	399,000	243,109	33,056	246,569	246,569	36,516	-
Twenty-First Century Community Learning Centers	I	84.287	4100078078	7/1/20-6/30/21	400,000	188,398	24,548	193,314	193,314	29,464	-
Twenty-First Century Community Learning Centers	I	84.287	4100078076	7/1/20-6/30/21	400,000	300,989	47,830	295,901	295,901	42,742	-
Twenty-First Century Community Learning Centers	I	84.287	4100078079	7/1/20-6/30/21	400,000	271,472	56,447	264,821	264,821	49,796	-
Twenty-First Century Community Learning Centers	I	84.287	4100083485	7/1/20-6/30/21	400,000	264,735	70,209	290,121	290,121	95,595	-
Twenty-First Century Community Learning Centers	I	84.287	4100083484	7/1/20-6/30/21	400,000	252,289	59,963	283,110	283,110	90,784	-
Twenty-First Century Community Learning Centers	I	84.287	4100083483	7/1/20-6/30/21	400,000	270,537	70,994	285,397	285,397	85,854	-
Total ALN 84.287						1,879,485	417,794	1,892,442	1,892,442	430,751	-
English Language Acquisition State Grants	I	84.365	010-210007	7/1/20-9/30/21	1,051,236	560,659	-	602,847	602,847	42,188	-
Total ALN 84.365						560,659	-	602,847	602,847	42,188	-
Supporting Effective Instruction State Grants	I	84.367	020-190007	8/31/18-09/30/19	1,277,154	273,676	273,676	-	-	-	-
Supporting Effective Instruction State Grants	I	84.367	020-200007	7/1/19-9/30/20	1,132,730	151,189	82,405	295,567	295,567	226,783	-
Supporting Effective Instruction State Grants	I	84.367	020-210007	7/1/20-9/30/21	1,043,859	925,528	-	778,228	778,228	(147,300)	-
Total ALN 84.367						1,350,393	356,081	1,073,795	1,073,795	79,483	-
Student Support and Academic Enrichment Program	I	84.424	144-190007	8/31/18-9/30/20	688,065	98,295	98,295	-	-	-	-
Student Support and Academic Enrichment Program	I	84.424	144-200007	7/1/19-9/30/20	908,224	242,193	(132,093)	495,383	495,383	121,097	-
Student Support and Academic Enrichment Program	I	84.424	144-210007	7/1/20-9/30/21	905,726	603,817	-	630,024	630,024	26,207	-
Total ALN 84.424						944,305	(33,798)	1,125,407	1,125,407	147,304	-
COVID-19 Education Stabilization Fund	I	84.425C	200-200007	3/13/20-9/30/21	9,809,104	8,776,567	-	9,809,104	9,809,104	1,032,537	-
COVID-19 Education Stabilization Fund	I	84.425C	252-200007	3/13/20-9/30/21	171,292	81,138	-	125,451	125,451	44,313	-
COVID-19 Education Stabilization Fund	I	84.425C	253-200007	3/13/20-9/30/21	364,750	307,158	-	260,424	260,424	(46,734)	-
COVID-19 Education Stabilization Fund	I	84.425C	254-200007	3/13/20-9/30/21	474,534	449,558	-	443,918	443,918	(5,640)	-
Total ALN 84.425						9,614,421	-	10,638,897	10,638,897	1,024,476	-
Subtotal						29,901,860	2,229,462	27,024,891	27,024,891	(647,507)	-
Continued on next page.											

The accompanying notes are an integral part of this schedule.

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

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Source Code</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning - Ending</u>	<u>Program or Award Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue 07/01/2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 06/30/2021</u>	<u>Passed Through to Subrecipients</u>
U.S. DEPARTMENT OF EDUCATION											
Passed through Pennsylvania Commission of Crime and Delinquency COVID-19 Education Stabilization Fund	I	84.425D	2020-ES-01-35220	3/13/2020-9/30/2022	653,852	-	-	176,638	176,638	176,638	-
Total ALN 84.425D						-	-	176,638	176,638	176,638	-
Passed through Carbon Lehigh I.U. Special Education Grants to States	I	84.027	H027A180093	7/1/19-6/30/20	3,099,543	779,128	779,128	-	-	-	-
Special Education Grants to States	I	84.027	H027A190093	7/1/20-6/30/21	3,065,795	-	-	3,065,796	3,065,796	3,065,796	-
Total ALN 84.027						779,128	779,128	3,065,796	3,065,796	3,065,796	-
Passed through Carbon Lehigh I.U. Special Education Preschool Grants	I	84.173	H173A190090	07/01/20-06/30/21	18,360	-	-	18,360	18,360	18,360	-
Total ALN 84.173						-	-	18,360	18,360	18,360	-
Subtotal Special Education Cluster (IDEA)						779,128	779,128	3,084,156	3,084,156	3,084,156	-
TOTAL U.S. DEPARTMENT OF EDUCATION						30,680,988	3,008,590	30,285,685	30,285,685	2,613,287	-
U.S. DEPARTMENT OF TREASURY											
Passed through Pennsylvania Commission on Crime and Delinquency Coronavirus Relief Fund	I	21.019	2020-CS-01-33929	3/13/2020-10/30/2020	880,786	880,786	-	880,786	880,786	-	-
Passed through Allentown School District Foundation Coronavirus Relief Fund	I	21.019	N/A	7/1/2020-6/30/2021	2,082,237	2,082,237	-	2,082,237	2,082,237	-	-
Total ALN 21.019						2,963,023	-	2,963,023	2,963,023	-	-
TOTAL U.S. DEPARTMENT OF TREASURY						2,963,023	-	2,963,023	2,963,023	-	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed through PA Department of Education Temporary Assistance for Needy Families	I	93.558	4100071391	7/1/19-6/30/20	450,496	117,447	117,447	-	-	-	-
Temporary Assistance for Needy Families	I	93.558	4100081164	7/1/20-6/30/21	254,211	254,211	-	254,211	254,211	-	-
Total ALN 93.558, TANF Cluster						371,658	117,447	254,211	254,211	-	-
Refugee and Entrant Assistance Discretionary Grants	I	93.576	4100081652	7/1/20-6/30/21	40,161	40,161	-	40,161	40,161	-	-
Total ALN 93.576						40,161	-	40,161	40,161	-	-
Passed through PA Department of Human Services MaryLee Allen Promoting Safe and Stable Families Program	I	93.556	4100067075	7/1/20-6/30/21	116,925	116,925	-	116,925	116,925	-	-
Total ALN 93.556						116,925	-	116,925	116,925	-	-
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	146,370	131,436	131,436	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/20-06/30/21	156,911	26,137	-	156,911	156,911	130,774	-
Total ALN 93.778 Medicaid Cluster						157,573	131,436	156,911	156,911	130,774	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						686,317	248,883	568,208	568,208	130,774	-

Continued on next page.

The accompanying notes are an integral part of this schedule.

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued (Deferred) Revenue 07/01/2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 06/30/2021	Passed Through to Subrecipients
U.S. DEPARTMENT OF DEFENSE											
ROTC Language and Culture Training Grants Total ALN 12.357	D	12.357	N/A	7/1/20-6/30/21	120,736	120,736	-	120,736	120,736	-	-
						<u>120,736</u>	<u>-</u>	<u>120,736</u>	<u>120,736</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF DEFENSE						<u>120,736</u>	<u>-</u>	<u>120,736</u>	<u>120,736</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE											
Passed through PA Department of Agriculture National School Lunch Program	I	10.555	N/A	7/1/19-6/30/20	N/A	-	(27,516)	27,516	27,516	-	-
National School Lunch Program	I	10.555	N/A	7/1/20-6/30/21	N/A	353,737	-	326,852	326,852	(26,885)	-
						<u>353,737</u>	<u>(27,516)</u>	<u>354,368</u>	<u>354,368</u>	<u>(26,885)</u>	<u>-</u>
Summer Food Service Program for Children	I	10.559	264	07/01/19-6/30/20	N/A	102,572	102,572	-	-	-	-
Summer Food Service Program for Children	I	10.559	264	7/1/20-6/30/21	N/A	7,007,670	-	7,344,274	7,344,274	336,604	-
Total ALN 10.559						<u>7,110,242</u>	<u>102,572</u>	<u>7,344,274</u>	<u>7,344,274</u>	<u>336,604</u>	<u>-</u>
Total Child Nutrition Cluster						<u>7,463,979</u>	<u>75,056</u>	<u>7,698,642</u>	<u>7,698,642</u>	<u>309,719</u>	<u>-</u>
Child and Adult Care Food Program Total ALN 10.558	I	10.558	164	7/1/20-6/30/21	N/A	52,617	-	53,725	53,725	1,108	-
						<u>52,617</u>	<u>-</u>	<u>53,725</u>	<u>53,725</u>	<u>1,108</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>7,516,596</u>	<u>75,056</u>	<u>7,752,367</u>	<u>7,752,367</u>	<u>310,827</u>	<u>-</u>
TOTAL FEDERAL AWARDS						<u>\$ 41,967,660</u>	<u>\$ 3,332,529</u>	<u>\$ 41,690,019</u>	<u>\$ 41,690,019</u>	<u>\$ 3,054,888</u>	<u>\$ -</u>

Source Codes:

I - Indirect Funding
D - Direct Funding

The accompanying notes are an integral part of this schedule.

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

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants that 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 COMMODITIES

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 ALN 10.555 represent surplus food consumed by the District during the 2020-2021 fiscal year. The District has food commodities totaling \$26,884 in inventory as of June 30, 2021.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$1,171,585.

NOTE E ARRA PROGRAMS

The Qualified School Construction Bond Program ("QSCB") and Qualified Zone Academy Program ("QZAB") were authorized through the American Recovery and Reinvestment Tax Act ("ARRA"). These ARRA-funded programs are not covered by the single audit requirements and are not required to be included in the schedule of expenditures of federal awards ("SEFA") or in the determination of major programs. The total amount of federal subsidy reimbursements received totaled \$868,262 for the year ended June 30, 2021.

NOTE F INDIRECT COST RATE

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

NOTE G The District has not passed any federal awards through to subrecipients.

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial Statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unmodified

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

X Yes No

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
10.555, 10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund
21.019	Coronavirus Relief Fund

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

\$1,250,701

Auditee qualified as low-risk auditee?

Yes X No

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

PART B – FINDINGS RELATED TO FINANCIAL STATEMENTS

2021-001

ACTIVITIES ALLOWED/UNALLOWED

U.S. Department of Education – An award passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Education – Title I Grants to Local Educational Agencies (ALN 84.010).

Condition

Of the 25 expenditures selected for testing, 1 teacher did not have current child abuse clearances and current background checks on file.

Criteria

Teachers charged to Title I must have current child abuse clearances and current background checks on file.

Effect

The effect is teachers are not in compliance with child abuse clearances and background checks.

Cause

Personnel files are not kept up to date and teacher child abuse clearances and background checks are not monitored.

Recommendation

We recommended that the District ensures all personnel have the required child abuse clearances and background checks by keeping a database of all District personnel.

View of Responsible Officials

The School District agrees with the finding and is working towards implementing better controls in their human resource department.

2021-002

ACTIVITIES ALLOWED/UNALLOWED

U.S. Department of Agriculture – An award passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Agriculture – Child Nutrition Cluster. (ALN 10.555, 10.559).

Condition

Of the 25 expenditures selected for testing, 25 expenditures were not properly approved.

Criteria

Per District policy, expenditures require a minimum of Director approval.

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Effect

The effect is purchases are being made without following District policies.

Cause

District policies are not being followed by the Food Service Program for expenditures.

Recommendation

We recommended that the District ensures all expenditures follow Board policies for proper approvals prior to purchases being made.

View of Responsible Officials

The School District agrees with the finding and is working towards implementing better controls in their Food Service Department.

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

PART C – FINDINGS RELATED TO FEDERAL AWARDS

2021-001

ACTIVITIES ALLOWED/UNALLOWED

U.S. Department of Education – An award passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Education – Title I Grants to Local Educational Agencies (ALN 84.010). See full finding in Part B.

2021-003

REPORTING

U.S. Department of Education – An award passed through the Commonwealth of Pennsylvania, Pennsylvania Department of Education – Title I Grants to Local Educational Agencies (ALN 84.010).

Condition

Of the four quarterly reports required to be submitted, three reports were submitted for the program.

Criteria

Four quarterly reports are required to be submitted for the program.

Effect

Reports were not filed as required. The report for the first fiscal year quarter was not filed.

Cause

Reports were not submitted for all four quarters.

Recommendation

We recommend that the District ensures all reporting requirements are met and quarterly reports are filed timely.

View of Responsible Officials

The School District agrees with the finding and is working towards implementing better controls in the Grants Department.

ALLENTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

STATUS OF PRIOR YEAR FINDINGS

2020-001 – Repeated as Finding 2021-003



31 South Penn Street ▪ P.O. Box 328 ▪ Allentown, PA 18105
Administration Center ▪ 484-765-4011 ▪ Fax: 484-765-4025

Harry Aristakesian
Business Manager
aristakesiana@allentownsd.org

CORRECTIVE ACTION PLAN

Corrective Action Plan (CAP) Name of auditee: Allentown School District

Auditee identification number: 23-6003488

Name of audit firm: Zelenkofske Axelrod LLC

Period covered by the audit: July 1, 2020 – June 30, 2021

CAP prepared by Name: Position: Harry Aristakesian, Business Manager

Telephone number: 484-765-4011

A. Current Finding on the Schedule of Findings, Questioned Costs, and Recommendations.

1. Of the 25 expenditures selected for testing, 1 teacher did not have current child abuse clearances and current background checks on file.

- a. Action(s) Taken or Planned on the Finding

The School District agrees with the finding and is working towards implementing better controls in the Human Resources Department. The one file in question has been updated to include the child abuse clearance and current background check. Monitoring reports are being developed to ensure child abuse clearances and background checks are included in all employee files.

- b. Name and Title of the person responsible for resolution: Michael Henry, Executive Director of Human Resources

- c. Anticipated completion date: July 1, 2022

2. Of the 25 expenditures selected for testing, 25 expenditures were not properly approved.

a. Action(s) Taken or Planned on the Finding

The School District agrees with the finding and is working towards implementing better controls in the Food Service Department. The Child Nutrition Services Director will review and approve all invoices prior to processing.

b. Name and Title of the person responsible for resolution: James Faggione, Child Nutrition Services Director.

c. Anticipated completion date: March 1, 2022

3. Of the four quarterly reports required to be submitted, three reports were submitted for the program.

a. Action(s) Taken or Planned on the Finding

The School District agrees with the finding. Monitoring reports were developed in January 2021 and are being utilized to ensure timely submission of quarterly reports.

b. Name and Title of the person responsible for resolution: Harry Aristakesian, Business Manager

c. Anticipated completion date: January 1, 2021

Respectfully,



May 25, 2022