

TYRONE AREA SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Tyrone Area School District
Tyrone, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tyrone Area School District, as of and for the year ended June 30, 2020, 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 *Italicize*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Area School District, as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 18 and the required supplementary information as listed in the table of contents 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 Tyrone Area School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of Tyrone Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tyrone Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering Tyrone Area School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in dark ink and is centered on the page.

State College, Pennsylvania
January 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

TYRONE AREA SCHOOL DISTRICT

June 30, 2020

This discussion and analysis of Tyrone Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance, as a whole. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the basic financial statements and the notes to the financial statements.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in its Statement No. 34 issued in June 1999.

Financial Highlights

- The assets and deferred outflows of resources of Tyrone Area School District exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year by \$7,499,944 (*net position*). The government's total net position decreased by \$99,392.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,649,208 or 7% of the total General Fund expenditures including transfers out for future capital projects. The philosophy of the Board of Directors and management has been to maintain an unassigned fund balance of 5-10% of budgeted general fund expenditures.
- Total revenues and other financing sources exceeded expenses and other financing uses by \$1,140,070.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Tyrone Area School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Tyrone Area School District include most of the School District's basic services, such as regular and special education, administration, and transportation. Property taxes and formula-based state aid finance most of these activities. The Food Service Fund is the sole business-type activity for Tyrone Area School District.

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

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

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

Proprietary funds. Tyrone Area School District maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Tyrone Area School District uses an enterprise funds to account for its Food Service Fund and Day Care Fund. *Internal Service funds* (the other type of proprietary fund) are used to report activities that provide supplies and services for the government's other programs and activities. The School District currently does not have any internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Food Service Fund, which is considered to be a major fund of the School District, and the Day Care Fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the operations of the Tyrone Area School District. The accounting used for fiduciary funds is much like that used for proprietary funds.

Tyrone Area School District maintains two fiduciary funds, a Consolidated Scholarship Trust Fund and a Student Activities Fund.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*.

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Tyrone Area School District, assets exceeded liabilities by \$7,499,944 at the close of most recent fiscal year.

By far the largest portion of the School District's assets reflects its investment in capital assets (e.g., land, buildings, furniture and equipment, construction-in-progress). The Tyrone Area School District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. The largest portion of the School District's liabilities is its long-term debt for general obligation bonds used to finance building improvements and other capital projects. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the School District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations.

The Net Position as of June 30, 2020 and 2019, for Tyrone Area School District is summarized below in Table 1. At the end of the current fiscal year, the School District is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Table 1
Tyrone Area School District
Net Position
(in thousands of dollars)
June 30,

	2020			2019		
	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District
Assets						
Current and other assets	\$ 16,531	\$ 632	\$ 17,163	\$ 16,049	\$ 739	\$ 16,788
Capital assets	34,483	119	34,602	33,828	89	33,917
Total assets	\$ 51,014	\$ 751	\$ 51,765	\$ 49,877	\$ 828	\$ 50,705
Deferred Outflows of Resources	\$ 5,748	\$ 219	\$ 5,967	\$ 5,526	\$ 233	\$ 5,759
Liabilities						
Long-term liabilities outstanding	\$ 41,704	\$ 1,514	\$ 43,218	\$ 41,389	\$ 1,524	\$ 42,913
Other liabilities	4,304	35	4,339	3,577	37	3,614
Total liabilities	\$ 46,008	\$ 1,549	\$ 47,557	\$ 44,966	\$ 1,561	\$ 46,527
Deferred Inflows of Resources	\$ 2,612	\$ 63	\$ 2,675	\$ 2,285	\$ 53	\$ 2,338
Net Position						
Invested in capital assets, net of related debt	\$ 34,483	\$ 119	\$ 34,602	\$ 33,828	\$ 89	\$ 33,917
Restricted	2,892	-	2,892	4,268	-	4,268
Unrestricted	(29,233)	(761)	(29,994)	(29,944)	(642)	(30,586)
Total net position	\$ 8,142	\$ (642)	\$ 7,500	\$ 8,152	\$ (553)	\$ 7,599

Changes in Net Position. The results of this year's operations as a whole are reported in the Statement of Activities in the basic financial statements. Table 2 takes the information from that Statement and rearranges it slightly so that you can see total revenues for the year. The two largest general revenues are the formula-based state aid received from the Commonwealth of Pennsylvania and the local taxes assessed to property owners.

Table 2
Tyrone Area School District
Changes in Net Position
(in thousands of dollars)
June 30,

	2020			2019		
	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District
Revenues						
Program revenues						
Charges for services	\$ 135	\$ 648	\$ 783	\$ 151	\$ 905	\$ 1,056
Operating grants and contributions	8,096	861	8,957	7,934	796	8,730
General revenues						
Property taxes	5,802	-	5,802	5,736	-	5,736
Formula-based state aid	9,423	-	9,423	9,298	-	9,298
Other	1,915	1	1,916	1,913	2	1,915
Total revenues	25,371	1,510	26,881	25,032	1,703	26,735
Expenses						
Instruction	15,951	-	15,951	15,919	-	15,919
Instructional student support	2,002	-	2,002	2,125	-	2,125
Admin. and financial support	3,409	-	3,409	3,257	-	3,257
Operation and maint. of plant svcs.	2,199	-	2,199	2,369	-	2,369
Pupil transportation	1,308	-	1,308	1,242	-	1,242
Food service	-	1,160	1,160	-	1,204	1,204
Day care	-	439	439	-	460	460
Other	512	-	512	536	-	536
Total expenses	25,381	1,599	26,980	25,448	1,664	27,112
Changes in net position	\$ (10)	\$ (89)	\$ (99)	\$ (416)	\$ 39	\$ (377)

Financial Analysis of the Government's Funds

As noted earlier, Tyrone Area School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds. The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$11,705,360 a decrease of \$236,493 in comparison with the prior year. This represents a two/one hundredth change in the Governmental fund balance or essentially a break even. The decrease is due in large part to budgeting according to resources available along with conservative budgeting of revenues and the disciplined approach to restricting expenditures to an as needed basis, non-budgeted expenditures are severely restricted. Millage associated with retired debt continues in place for the purpose of building the District Capital Reserve fund. Approximately 8% of this total amount, \$1,649,208 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *assigned* or *committed* to indicate that it is not available for new spending because it has already been designated for forecasted expenditures.

The General Fund is the chief operating fund of Tyrone Area School District and provides 100% of the unreserved fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 7% of total general fund expenditures, including transfers out for debt service.

Proprietary funds. The School District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of the end of the current fiscal year, the net position of the proprietary fund - Food Service was \$(445,481). Furthermore, equipment repairs, and depreciation accounted for \$19,486 in costs which was not fully planned in budgeting. Management continually reviews the operations of the Food Service Fund and the meal prices charged, to ensure that there are adequate cash reserves through the fee structure and collections to meet operating needs.

The Daycare fund is a proprietary fund which accounts for the childcare program the District offers for preschool and school age children. As of the end of June 30, 2020, the net position was \$(186,054), a decrease of \$74,056 in comparison with prior year. This program is a necessary service for the Tyrone Area School District community. Management supports the continuation of this program as long as revenues exceed expenditures.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted.

A comparison of the original budget to the final budget for the 2019-2020 fiscal year is summarized in Table 3.

Table 3
Tyrone Area School District
General Fund Budget Summary
(in thousands of dollars)

	Original Approved Budget 2019-20	Final Approved Budget 2019-20	% Change	Original Approved Budget 2018-19	Final Approved Budget 2018-19	% Change
Revenues						
Local	\$ 7,675	\$ 7,675	0.00%	\$ 7,528	\$ 7,568	0.53%
State	15,842	15,842	0.00%	15,606	15,606	0.00%
Federal	629	629	0.00%	743	744	0.13%
Total revenues	\$ 24,146	\$ 24,146	0.00%	\$ 23,877	\$ 23,918	0.17%
Expenditures						
Instructional	\$ 15,163	\$ 15,163	0.00%	\$ 14,737	\$ 14,761	0.16%
Support services	9,136	9,136	0.00%	8,719	8,736	0.19%
Operation of noninstructional services	555	555	0.00%	534	534	0.00%
Capital outlay	20	20	0.00%	20	20	0.00%
Total expenditures	\$ 24,874	\$ 24,874	0.00%	\$ 24,010	\$ 24,051	0.17%
Other Financing Uses						
Transfers	\$ 1,100	\$ 1,100	0.00%	\$ 1,100	\$ 1,100	0.00%
Budgetary reserve	500	500	0.00%	500	500	0.00%
	\$ 1,600	\$ 1,600	0.00%	\$ 1,600	\$ 1,600	0.00%
Budgeted Increase in						
(Use of) Fund Balance	\$ (2,328)	\$ (2,328)		\$ (1,733)	\$ (1,733)	

The original approved budget and the final budget for the year 2019-20 were similar in every respect. This figure is set aside and tracked as a separate budget for clarity in reporting through the year. Minor account adjustments were made throughout the year as needed. Changes across function were not experienced in the year, however.

During the year, total revenues were greater than budgetary estimates by \$1,174,108 and expenditures were less than budgetary estimates by \$698,898. The General Fund budget planned for a decrease in fund balance of \$2,358,785, including transfers out to other funds. It has been the practice of Tyrone Area School Board and administration to budget revenues and expenditures very conservatively. The fact that the revenues for the year came in stronger and the expenses less than budgeted is not unusual. This has allowed the District to maintain a strong financial position, without burdening the taxpayers of the District.

Capital Asset and Debt Administration

Capital assets. The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2020 and 2019, is summarized in Table 4 below.

During the 2019-20 fiscal year, the District replaced and repaired the façade and entry areas of Tyrone Area High School along with painting of the exterior surfaces. The front parking and parking lot on the cafeteria side of the building was resurfaced and restriped as a partnering project. Total cost of the resurfacing was \$202,352 and completed at bid price. The total final cost of the project was \$511,356. The project was fundamentally completed five months late and penalties for late completion in the amount of \$44,687 are currently being imposed on the general contractor. The District also took on improving the fob entry system on the exterior doors of all three buildings. Moreover, tied into this improvement, the District also installed time clocks in the District that work with the fobs to track employee time. All employees and some third-party contractor employees are tied into the system. This system ties into the existing attendance system commonly called AESOP, which is owned by Frontline. Other District-wide projects included the installation of water fountains that had been on hand in the District, this was accomplished by a third-party contractor at a cost of \$10,674. The District added and improved the security camera system at the Elementary building through a state safety grant of \$35,000. The District vocational classes continue in the construction of the new house project on Hamilton Avenue, Tyrone. The house is slated to be finished and ready for market in the Spring of 2021. The District historically has transferred funding from the General fund to the Capital Projects fund however, this was not done in the year due to uncertainties related to COVID-19 cost needs and revenue shortfalls.

Table 4
Tyrone Area School District
Capital Assets - Net of Depreciation
(in thousands of dollars)

	Governmental	Business-Type	Total
2020	Activities	Activities	School District
Construction-in-progress	\$ 591	\$ -	\$ 591
Land and improvements	2,533	-	2,533
Buildings and building improvements	30,202	-	30,202
Furniture and equipment	1,157	119	1,276
Total capital assets - net of depreciation	\$ 34,483	\$ 119	\$ 34,602

	Governmental	Business-Type	Total
2019	Activities	Activities	School District
Construction-in-progress	\$ 1,088	\$ -	\$ 1,088
Land and improvements	1,382	-	1,382
Buildings and building improvements	30,626	-	30,626
Furniture and equipment	731	89	820
Total capital assets - net of depreciation	\$ 33,827	\$ 89	\$ 33,916

Long-Term Debt

At the end of the current fiscal year, Tyrone Area School District had no debt outstanding.

Strategic Plan

Tyrone Area School District is operating under the 2019-2022 Comprehensive Plan, as required by the PA Department of Education. The plan was developed through a collaborative process involving District and school administrators, teachers, parents, and community leaders. This new comprehensive plan was approved by the board during the month of October 2018. The District mission statement, "We establish high standards of learning and expect all students to achieve. Our goal is to facilitate collaboration among staff, parents, and community to create an environment that supports, engages, and challenges students to achieve high levels of success," outlines the culture of high expectations and collaboration toward which the District strives.

Economic Factors

The District currently has no outstanding bond debt; however, the School District's most recent general obligation bond rating is a Standards and Poor A rating. The rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Local community economics have remained steady with few significant additions to the industrial or business environment. The mix of farm to developed space has not recently been modified significantly.

Under the Local Government Unit Debt Act, the School District's outstanding debt may not exceed 225% of the borrowing base. The borrowing base is defined as the average three years of total revenues as defined in the Act. Currently, Tyrone Area School District has not exceeded the borrowing capacity.

The portion of the District found in Blair County showed a decrease in assessed value, due mainly to appeals of the previous year's assessment. The assessed value went from a total of \$589,073,435 to \$584,865,675. Centre County assessment increased from \$18,911,570 to \$19,895,605 and Huntingdon increased from \$38,794,480 to \$39,385,280. The District tax base decreased in overall value by \$3,032,915, or 0.5%.

Budget and Tax Rates

A two-year comparison of the General Fund budget is provided in Table 5. Management projected that at the end of the 2019-20 fiscal year, the fund balance will be \$5,337,211, the actual balance is \$8,813,855. Of that balance, \$1,000,000 is committed for future retirement rate increases and the following assigned amounts, \$2,000,000 unforeseen state funding delays or federal shortfalls in funding, \$2,000,000 to future technology needs and \$2,164,647 for capital project needs, \$1,649,208 remains uncommitted and unassigned. The Board has continued in the approach of setting funds aside in assignment as a hedge in the event of a protracted budget process at the state level. The District has a significant need for funding as demonstrated by the facilities 10-year plan and planning for the expected costs is a priority of the board. The Board continues to hold funds set aside for the continued increase in the cost of retirement and healthcare.

Highlights of the 2020-21 General Fund Budget are as follows:

Revenues

Local Revenue

1. The budget reflects the ACT 1 allowable tax increase to the property tax millage for the year. Due to the fact the District boundaries reach into three counties, with Blair County having been reassessed in 2016-17, the millage rate changed from 6.515 in 2018-19 to 6.700 in 2019-20. The millage in Centre County reflected an increase from a rate of 25.742 to a total of 26.47 mills. In Huntingdon County the increase resulted in a change in rate from 45.531 in 2018-19 to a rate of 46.97. Millage rates were adjusted proportionately to reflect the change in market value as required by the State Tax Equalization Board and the formula as provided by the Department of Education.

Total real estate tax revenue increased by \$191,472. Real estate taxes are budgeted at a 92.4 collection rate. In addition, the state has provided \$489,586 in property tax relief funding generated through gaming revenues. This amount was used to reduce the amount of property tax revenue. The property tax relief was budgeted at the nearly the same amount as 2018-19.

Millage Rates: Blair.....	6.700 (+ .185 Mills)
Centre.....	26.47 (+ .728 Mills)
Huntingdon.....	46.97 (+1.439 Mills)

2. Current 511 Earned Income Tax shows a small decrease of \$15,614, which is due to the reduction in earned wages related to the COVID-19 shutdown. Earned Income Taxes are showing a more general trend of being paid in the current period and do not go delinquent.

State Revenue

State Basic Education Funding (BEF) revenue was realized at \$9,423,360 an increase of \$125,689 for 2019-20. This increase is relative to the funding formula that is predicated on the student enrollment, census generated poverty levels, and local effort recoded through District imposed taxes. Tyrone Area School District has one of the lowest local tax effort ratings across the state and, as such, the formula penalizes the District on any newly appropriated funds for BEF. Transportation reimbursements for the year were 794,468 or 71% of District cost. The Pre-K program grant is level with last year at \$548,250. The reimbursement on nursing services shows revenue at \$33,445, which is down approximately \$2,000 from the previous year. The FICA reimbursements reflect a total payment from the State of \$481,794 inclusive of \$169,302 from 2018-19. The full reimbursement for the 2019-20 year should be \$422,658. Therefore, the state is behind by \$110,166 in reimbursement to the District for their share of the FICA tax. This type of delayed payment, while booked as a receivable has existed for the past three years. In like fashion the District received in the 2019-20 year \$669,231 in PSERS reimbursement that was due in 2018-19. The District aid ratio for 2019-20 was .6615 therefore, of the \$3,763,010 paid in retirement the District should be entitled to \$2,456,238. However, in current year PDE payments of \$2,428,210 were received so the state is still behind by \$697,259. This delay in payment has occurred for the past three years and while booked as a receivable, has been growing by about 20% each year.

Federal Revenue

Federal revenues reflect an increase of \$69,638 in funding with the main increase coming from other restrict grants, namely Cares Relief funding. All other Federal subsidies are down an average of 3%. Federal funding for the 2019-20 years stands at \$773,028. Federal funding consists of Title I, II & IV programs along with Perkins funding however, the federal funding for IDEA is handled through the IU and is accounted for as local pass-through funding.

Expenditures

Salaries

1. Salaries over all increased year to year at just 1%. Contracted support labor receiving a 2.91% increase and a contracted increase in professional staff salaries of 3.2%. Professional substitute services continue to be secured through a third party.
2. The total cost of salaries alone in the 2019-20 year was 46% of total expenditures.
3. Special Service fees reflect a 2.1% increase over the 2018-19 budget, which is the CPI for 2019. The Athletic fees are tied to the formula which is part of the July 2019 teachers' labor agreement.

Fringe Benefits

1. The Blair County Health Insurance Consortium approved a 3.0% increase in health insurance rates for 2019-20, taking into consideration plan changes and additional Affordable Care Act costs of approximately \$35,000, there was an increase in cost of \$113,492. The plan continues to call for an annual deposit into a Health Savings Account for the professional employees. The consortium has and continues to be fully funded with reserves of over five million dollars of which, all six Districts share. Dental and Life insurance are budgeted at the same amount as 2019-20.
2. Worker's Compensation had a significant decrease to 39,309 from \$54,006, due to re-shopping the coverage through a new agent and a continued period of low MOD or claims experience. The school continues to fund a workplace safety committee which allows for the reduction of the workers comp premium in the amount of 5%.
3. Social Security remains the same at 7.65%.
4. Retirement is reflected at the rate of 34.51% up from 34.28%. Past increases for the recent two years have been moderating however, the cost of the program is 34.5 cents on each dollar. The state reimburses their share based on the District aid ration which is currently 66.15%.

Tuition Payments

The amounts budgeted for tuition payments are as follows:

Institution Type	# of Students	2018-19	2019-20
Cyber Charter Schools	30 students	\$415,900	\$300,679
Brick and Mortar Charters	26 students	\$186,500	\$277,281
Alternative Placements – Other PA Schools	1	\$163,000	\$105,736
Approved Private Schools	1	\$52,796	\$6,672
Greater Career and Technical Center	61	\$353,640	\$361,782
Total		\$1,171,836	\$1,052,150

Building Allocations

Limited allotment based budgeting was used to determine the amounts budgeted for 2019-20. Building budgets were determined based on the 2018-19 allocation amount. The building Principals have full discretion over the distribution of funds across the curricular areas. These allocations include all expenditures except salaries, benefits, and equipment in accordance with the site based budgeting concept.

Instructional Equipment

The major purchase of equipment for educational use is the Chromebooks for students. While these items do not meet our threshold as equipment, they are, however, mentioned here. We have begun supplying the 3rd grade students within classroom Chromebooks. This now requires an annual purchase of three grade levels of Chromebook renewal purchases to maintain one to one computing in grade levels 3 through 12. New active board for the classrooms began to be added for the summer of 2019. The active boards were purchased on a lease agreement and the first of two years of payments occurred in 2019-20. The total payment in each year is \$187,634. Current classroom electronic boards are in excess of 12 years old.

Transportation

Transportation total costs increased \$41,604 due to an increase in the state transportation formula. Also an increase in specialized transportation of foster and homeless students which primarily rely on van runs and cross over to other school districts and counties.

Curriculum and Professional Development

The overall curriculum expenses were down significantly as the curriculum director served as the superintendent for the 2019-20 year. Total curriculum expense was \$254,323, which was lower by \$105,018 than in 2018-19. The professional development training costs for the year 2019-20 were \$45,268.

Technology

The total technology costs for the 2019-20 year were up from \$950,512 to \$1,143,014. The significant increase for the year was put in place to focus on 1) catching up with our computer replacement cycle, 2) expanding Chromebook distribution, 3) half of the active board costs and 4) funding for the replacement of staff laptops. The remaining bulk of the budget is set aside for the many software licenses that are required for education and operational functions throughout the District with no great deviation from past costs. This facilitated the purchase of the active boards for the Elementary building. Very minimal third party support has been required by the technology department. Technology department costs increases continue to outpace all other aspects of the budget however, part of the increase has been covered by Cares and ERate funding.

Physical Plant

The Physical Plant and overall site operations finished the year at an expense total of \$2,079,989. This is a broad expense category spanning all cost aspects from property insurance to cleaning and repairs, grounds maintenance to security system maintenance and police services. The categorical total in whole is down \$135,114, which represents a 5% decrease in costs. The following are the major items included in the Physical Plant budget for 2019-20:

Orbital Cleaner unit	\$ 14,000
Floor Scrubber (2)	14,899
District-owned Chemical dispensers	4,130
Core Aerator	4,500
Ball Stopper System Soccer	10,100
Field Maintenance contract Gray)	17,005
ATC Maintenance Contract	<u>39,961</u>
Total	<u>\$104,595</u>

The District has suspended, for one year, the practice of transferring funds from the General Fund to the Capital Reserve Fund for the purpose of providing a source of resources for more significant capital improvements. This was due to the uncertainty of funding as it relates to the COVID pandemic and the economic slowdown of the first half of 2020.

Fund Transfers

Fund transfers suspended.

There are no transfers budgeted for the Cafeteria fund. The cafeteria fund surplus was used to purchase several pieces of food service equipment including the following:

Commercial convection oven (MS)	\$11,944
Steamer unit (HS)	\$32,201

Budgetary Reserve

A \$500,000 budgetary reserve was included in the proposed 2019-20 budget. Those funds were not expended and remain as a reserve in the General Fund.

Table 5
Tyrone Area School District
General Fund Budget Summary
(in thousands of dollars)

	Approved Budget 2019-20	Approved Budget 2020-21	% Change
Revenues			
Local	\$ 7,675	\$ 7,247	-5.58%
State	15,842	16,106	1.67%
Federal	629	1,123	78.54%
Total revenues	\$ 24,146	\$ 24,476	1.37%
Expenditures			
Instructional	\$ 15,163	\$ 15,666	3.32%
Support services	9,136	9,407	2.97%
Operation of noninstructional services	555	679	22.34%
Capital outlay	20	21	2.50%
Total expenditures	\$ 24,874	\$ 25,773	3.61%
Other Financing Uses			
Transfers	\$ 1,100	\$ 600	-45.45%
Budgetary reserve	500	500	0.00%
	\$ 1,600	\$ 1,100	-31.25%
Budgeted Fund Balance	\$ (2,328)	\$ (2,397)	

Labor Relations

Association, an affiliation of the Pennsylvania School Employees Association (PSEA). This group, which represents approximately 143 of the School District's 335 staff, has the responsibility of bargaining for these employees. A three-year contract was negotiated effective July 1, 2019. This agreement provides for the expanding of the 22-step salary schedule to 23, 24, and 25 steps over the life of the contract. The beginning step on the scale increases \$300 in each year of the agreement. The average increases are 3.20% for 2019-20; 3.20% for 2020-21; and 3.20% for 2021-22. The increases come with step movement on the scale in each of the three years. The contract also continues a Qualified Health Plan with an increased District contribution to an HSA each year of the agreement.

The "support staff" of Tyrone Area School District is represented by PSEA as well. They represent approximately 109 clerical employees, custodial employees, maintenance employees, instructional and non-instructional assistants, and cafeteria employees. A three-year contract was negotiated effective July 1, 2018. Wages increased 38 cents per hour in 2019-20 and are schedule to increase 38 cents in the 2020-21 the final year of the agreement. Health benefits continued as is allowing for the choice of either a Qualified Health Plan with a District HSA contribution or a \$750/\$1,500 deductible plan.

Enrollment Trends

Tyrone Area School District enrollment levels have leveled off for the last two years. Prior to this, enrollment had been declining slightly for the last ten years as indicated below:

	Total Enrollment
2009-10	1850
2010-11	1778
2011-12	1785
2012-13	1770
2013-14	1723
2014-15	1751
2015-16	1737
2016-17	1742
2017-18	1759
2018-19	1746
2019-20	1774
2020-21	1778

The current enrollment for 2020-21 increased slightly to 1,778 students. The District initiated a Pre-Kindergarten 4-year-old program in 2004-2005, which served approximately 72 students in the 2019-20-year. During the 2007-2008 year, a Pre-Kindergarten 3-year-old program was established serving 65 students. The Pre-Kindergarten students are not reflected in the totals above. The District operates a Licensed Day Care program for the community which serves 126 students in the audited year. Parents are charged a fee for service in this program. The program operates under a separate Proprietary fund.

Request for Information

This financial report is designed to provide a general overview of the finances of Tyrone Area School District for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Clark, Business Administrator, 701 Clay Avenue, Tyrone, Pennsylvania 16686. Email- jeclark@tyrone.k12.pa.us

TYRONE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 11,848,348	\$ 462,430	\$ 12,310,778
Investments	2,382,005	-	2,382,005
Receivables			
Taxes - net of allowance for uncollectible taxes of \$50,400	742,084	-	742,084
Other	4,217	5,482	9,699
Due from other governments	1,554,755	36,619	1,591,374
Inventories	-	13,168	13,168
Deposits	-	115,047	115,047
Capital assets			
Construction-in-progress	591,200	-	591,200
Land and site improvements - net	2,533,342	-	2,533,342
Building and building improvements - net	30,201,993	-	30,201,993
Furniture and equipment - net	1,156,776	119,248	1,276,024
Total capital assets	34,483,311	119,248	34,602,559
Deferred Outflows of Resources			
Deferred amounts on pension liability	4,731,642	213,358	4,945,000
Deferred amounts on OPEB liabilities	1,016,000	6,000	1,022,000
Total deferred outflows of resources	5,747,642	219,358	5,967,000
Total assets and deferred outflows of resources	\$ 56,762,362	\$ 971,352	\$ 57,733,714

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 461,368	\$ 11,225	\$ 472,593
Accrued salaries and benefits	1,696,390	5,694	1,702,084
Payroll deductions and withholdings	1,777,249	3,070	1,780,319
Unearned revenues	369,373	1,650	371,023
Deposits	-	13,289	13,289
Long-term liabilities			
Due in more than one year	718,208	9,254	727,462
Net pension liability	36,381,837	1,465,163	37,847,000
OPEB obligations	4,604,000	41,000	4,645,000
Total liabilities	46,008,425	1,550,345	47,558,770
Deferred Inflows of Resources			
Deferred amounts on pension liability	1,918,458	61,542	1,980,000
Deferred amounts on OPEB liabilities	694,000	1,000	695,000
Total deferred inflows of resources	2,612,458	62,542	2,675,000
Net Position			
Invested in capital assets - net of related debt	34,483,311	119,248	34,602,559
Restricted for capital projects	2,891,505	-	2,891,505
Unrestricted	(29,233,337)	(760,783)	(29,994,120)
Total net position	8,141,479	(641,535)	7,499,944
 Total liabilities, deferred inflows of resources and net position	 \$ 56,762,362	 \$ 971,352	 \$ 57,733,714

TYRONE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 15,950,960	\$ 37,375	\$ 5,603,619	\$ -	\$ (10,309,966)	\$ -	\$ (10,309,966)
Instructional student support	2,002,479	-	897,350	-	(1,105,129)	-	(1,105,129)
Administration and financial support	3,409,278	-	490,070	-	(2,919,208)	-	(2,919,208)
Operation and maintenance of plant services	2,199,463	3,635	198,376	-	(1,997,452)	-	(1,997,452)
Pupil transportation	1,308,119	-	848,817	-	(459,302)	-	(459,302)
Student activities	493,360	94,096	54,768	-	(344,496)	-	(344,496)
Community services	18,774	-	3,336	-	(15,438)	-	(15,438)
Total governmental activities	25,382,433	135,106	8,096,336	-	(17,150,991)	-	(17,150,991)
Business-type activities:							
Food Service	1,160,210	349,262	795,008	-	-	(15,940)	(15,940)
Daycare	439,307	298,645	66,251	-	-	(74,411)	(74,411)
Total business-type activities	1,599,517	647,907	861,259	-	-	(90,351)	(90,351)
Total School District	\$ 26,981,950	\$ 783,013	\$ 8,957,595	\$ -	\$ (17,150,991)	\$ (90,351)	\$ (17,241,342)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 5,801,688	\$ -	\$ 5,801,688
Public Utility Realty, Transfer, Earned Income, and Per Capita for General Purposes, Net					1,713,412	-	1,713,412
Grants subsidies and contributions not restricted					9,423,360	-	9,423,360
Investment earnings					184,808	1,115	185,923
Miscellaneous income					17,567	-	17,567
Total general revenues					17,140,835	1,115	17,141,950
Change in net position					(10,156)	(89,236)	(99,392)
Net Position - July 1, 2019					8,151,635	(552,299)	7,599,336
Net Position - June 30, 2020					\$ 8,141,479	\$ (641,535)	\$ 7,499,944

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 11,064,996	\$ 783,352	\$ 11,848,348
Investments	-	2,382,005	2,382,005
Receivables			
Taxes - net of allowance for uncollectible taxes of \$50,400	742,084	-	742,084
Other	4,217	-	4,217
Due from other governments	1,554,755	-	1,554,755
Total assets	\$ 13,366,052	\$ 3,165,357	\$ 16,531,409
Liabilities			
Accounts payable	\$ 187,516	\$ 273,852	\$ 461,368
Accrued salaries and benefits	1,696,390	-	1,696,390
Payroll deductions and withholdings	1,777,249	-	1,777,249
Unearned revenue	369,373	-	369,373
Total liabilities	4,030,528	273,852	4,304,380
Deferred Inflows of Resources			
Delinquent tax revenue	521,669	-	521,669
Fund Balances			
Restricted for:			
Capital projects	-	2,891,505	2,891,505
Committed fund balance for:			
Future retirement	1,000,000	-	1,000,000
Assigned fund balance for:			
Projected state and federal funding shortfall	2,000,000	-	2,000,000
Future technology needs	2,000,000	-	2,000,000
Capital project needs	2,164,647	-	2,164,647
Unassigned	1,649,208	-	1,649,208
Total fund balances	8,813,855	2,891,505	11,705,360
Total liabilities, deferred inflows of resources and fund balances	\$ 13,366,052	\$ 3,165,357	\$ 16,531,409

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total Fund Balances - Governmental Funds	\$ 11,705,360
Capital Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$57,991,642 and the accumulated depreciation is \$23,508,331.	34,483,311
Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred revenues in the funds.	521,669
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail).	
Deferred inflows	(1,918,458)
Deferred outflows	4,731,642
Deferred inflows and outflows or resources related to OPEB are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail).	
Deferred inflows	(694,000)
Deferred outflows	1,016,000
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Other post-employment benefit obligations	(4,604,000)
Net pension liability	(36,381,837)
Compensated absences	(718,208)
	<u>(41,704,045)</u>
Total net position - governmental activities	\$ <u>8,141,479</u>

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local sources	\$ 8,172,652	\$ 60,316	\$ 8,232,968
State appropriations	16,375,285	-	16,375,285
Federal appropriations	773,028	-	773,028
Total revenues	<u>25,320,965</u>	<u>60,316</u>	<u>25,381,281</u>
Expenditures			
Instructional	14,629,581	-	14,629,581
Support services	9,049,498	1,107	9,050,605
Noninstructional services	494,903	-	494,903
Capital outlay	6,913	1,435,772	1,442,685
Total expenditures	<u>24,180,895</u>	<u>1,436,879</u>	<u>25,617,774</u>
Net changes in fund balances	1,140,070	(1,376,563)	(236,493)
Fund Balances - July 1, 2019	7,673,785	4,268,068	11,941,853
Fund Balances - June 30, 2020	<u>\$ 8,813,855</u>	<u>\$ 2,891,505</u>	<u>\$ 11,705,360</u>

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Net changes in fund balances - all governmental funds	\$ (236,493)
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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 are
allocated over their useful lives as depreciation expense.

Capital outlays	2,025,312	
Less depreciation expense	<u>(1,369,783)</u>	655,529

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. Deferred tax
revenues increased by this amount this year. (9,004)

Governmental funds report District pension and OPEB contributions as expenditures.
However in the Statement of Activities, the cost of pension and OPEB benefits
earned net of employee contributions is reported as pension and OPEB expense.

District pension and OPEB contributions (PSERS)	3,761,000
Cost of benefits earned net of employee contributions (pension expense)	(4,227,000)

Some expenses reported in the Statement of Activities do not require
the use of current financial resources, and therefore, are not reported
as expenditures in governmental funds.

Change in compensated absences	74,812
Change in other post-employment benefits (District's Plan)	<u>(29,000)</u>

Changes in net position of governmental activities	<u><u>\$ (10,156)</u></u>
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See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amount Original and Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Local sources	\$ 7,675,177	\$ 8,172,652	\$ 497,475
State appropriations	15,842,387	16,375,285	532,898
Federal appropriations	629,293	773,028	143,735
Total revenues	<u>24,146,857</u>	<u>25,320,965</u>	<u>1,174,108</u>
Expenditures			
Instructional	15,162,818	14,629,581	533,237
Support services	9,136,502	9,049,498	87,004
Noninstructional services	555,473	494,903	60,570
Capital outlay	20,000	6,913	13,087
Total expenditures	<u>24,874,793</u>	<u>24,180,895</u>	<u>693,898</u>
Excess (deficiency) of revenues over expenditures	(727,936)	1,140,070	1,868,006
Other Financing Uses			
Operating transfers out	(1,100,000)	-	1,100,000
Budgetary reserve	(500,000)	-	500,000
Total other financing uses	<u>(1,600,000)</u>	<u>-</u>	<u>1,600,000</u>
Net changes in fund balance	<u>\$ (2,327,936)</u>	<u>1,140,070</u>	<u>\$ 3,468,006</u>
Fund Balance - July 1, 2019		7,673,785	
Fund Balance - June 30, 2020		<u>\$ 8,813,855</u>	

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - ALL PROPRIETARY FUNDS

June 30, 2020

	Food Service	Day Care	Total
Assets			
Cash	\$ 274,539	\$ 187,891	\$ 462,430
Receivables - other	947	4,535	5,482
Due from other governments	36,619	-	36,619
Inventories	13,168	-	13,168
Deposits	115,047	-	115,047
Other capital assets, net of depreciation	119,248	-	119,248
Total assets	\$ 559,568	\$ 192,426	\$ 751,994
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 108,316	\$ 105,042	\$ 213,358
Deferred amounts on OPEB liability	-	6,000	6,000
Total deferred outflows of resources	\$ 108,316	\$ 111,042	\$ 219,358
Liabilities			
Accounts payable	\$ 9,886	\$ 1,339	\$ 11,225
Accrued salaries and benefits	8,353	411	8,764
Deferred revenues	1,650	-	1,650
Deposits	13,289	-	13,289
Long-term liabilities			
Compensated absences	6,842	2,412	9,254
Net pension liability	1,064,803	400,360	1,465,163
OPEB obligations	5,000	36,000	41,000
Total liabilities	\$ 1,109,823	\$ 440,522	\$ 1,550,345
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 13,542	\$ 48,000	\$ 61,542
Deferred amounts on OPEB liability	-	1,000	1,000
Total deferred inflows of resources	\$ 13,542	\$ 49,000	\$ 62,542
Net Position			
Net investment in capital assets	\$ 119,248	\$ -	\$ 119,248
Unrestricted	(574,729)	(186,054)	(760,783)
Total net position	\$ (455,481)	\$ (186,054)	\$ (641,535)

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
ALL PROPRIETARY FUNDS
Year Ended June 30, 2020**

	Food Service	Day Care	Total
Operating Revenues			
Sales	\$ 349,262	\$ 298,645	\$ 647,907
Operating Expenses			
Food and milk	1,056,295	-	1,056,295
Labor, taxes and benefits	72,725	413,537	486,262
Supplies	11,704	25,734	37,438
Depreciation	19,486	-	19,486
Total operating expenses	1,160,210	439,271	1,599,481
Operating loss	(810,948)	(140,626)	(951,574)
Nonoperating Revenues			
Federal and state subsidies - net	795,008	66,215	861,223
Interest income	760	355	1,115
Total nonoperating revenues - net	795,768	66,570	862,338
Changes in net position	(15,180)	(74,056)	(89,236)
Net Position - July 1, 2019	(440,301)	(111,998)	(552,299)
Net Position - June 30, 2020	<u>\$ (455,481)</u>	<u>\$ (186,054)</u>	<u>\$ (641,535)</u>

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service	Day Care	Total
Cash Flows From Operating Activities			
Cash received from sales	\$ 364,064	\$ 294,350	\$ 658,414
Cash payments for goods and services	(1,059,481)	(24,895)	(1,084,376)
Cash payments to employees for services	(10,641)	(402,341)	(412,982)
Net cash used in operating activities	(706,058)	(132,886)	(838,944)
Cash Flows From Investing Activities			
Purchase of fixed assets	(49,381)	-	(49,381)
Cash Flows From Noncapital Financing Activities			
Interest received	760	355	1,115
Federal and state subsidies	689,931	66,215	756,146
Net cash provided by noncapital financing activities	690,691	66,570	757,261
Net decrease in cash and cash equivalents	(64,748)	(66,316)	(131,064)
Cash and Cash Equivalents:			
July 1, 2019	339,287	254,207	593,494
June 30, 2020	<u>\$ 274,539</u>	<u>\$ 187,891</u>	<u>\$ 462,430</u>

(Continued)

TYRONE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS (Continued)
Year Ended June 30, 2020

	Food Service	Day Care	Total
Reconciliation of Operating Loss to Net Cash Used			
in Operating Activities			
Operating loss	\$ (810,948)	\$ (140,626)	(951,574)
Adjustments to reconcile operating loss			
to net cash used in operating activities			
Depreciation	19,486	-	19,486
Value of donated commodities used	75,881	-	75,881
(Increase) decrease in assets:			
Receivables	692	(4,295)	(3,603)
Inventories	9,501	-	9,501
Deposits	(1,368)	-	(1,368)
Deferred outflow resources	(14,000)	28,000	14,000
Increase (decrease) in liabilities:			
Payables	9,886	839	10,725
Accrued salaries and benefits	300	(16,394)	(16,094)
Deferred revenues	(7,063)	-	(7,063)
Deposits	11,672	-	11,672
Compensated absences	903	(410)	493
Net pension liability	(1,000)	(10,000)	(11,000)
Net OPEB liability	-	1,000	1,000
Net OPEB liability	-	9,000	9,000
Net cash used in operating activities	\$ (706,058)	\$ (132,886)	\$ (838,944)
Supplemental Disclosure			
Noncash noncapital financing activity:			
USDA donated commodities	\$ 75,881	\$ -	\$ 75,881

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Consolidated Scholarship Trust Fund	Activities Fund
Assets		
Cash	\$ 237,735	\$ 129,674
Total assets	<u>\$ 237,735</u>	<u>\$ 129,674</u>
Liabilities		
Accounts payable	\$ 1,000	\$ 129,674
Total liabilities	<u>1,000</u>	<u>129,674</u>
Net Position		
Restricted for		
Consolidated Scholarship Trust Fund	236,735	-
Total liabilities and net position	<u>\$ 237,735</u>	<u>\$ 129,674</u>

See Notes to Financial Statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CONSOLIDATED SCHOLARSHIP TRUST FUND
Year Ended June 30, 2020**

Additions	
Contributions	\$ 23,539
Investment earnings	4,023
Total additions	<u>27,562</u>
Deductions	
Scholarships and awards	<u>17,265</u>
Total deductions	<u>17,265</u>
Change in net position	10,297
Net Position - July 1, 2019	226,438
Net Position - June 30, 2020	<u><u>\$ 236,735</u></u>

See Notes to Financial Statements.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Tyrone Area School District operates one elementary school, one middle school, and one high school in Blair County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The District operates under a locally elected nine-member Board form of government.

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

A. Reporting Entity

Tyrone Area School District's financial statements include the operations of all entities for which the School Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Tyrone Area School District is the lowest level of government which has oversight responsibility and control over all activities related to public-school education in the Commonwealth of Pennsylvania. The District receives funding from local, state, and Federal government sources and must comply with the requirements of these source entities. However, the District is not included in any other governmental "reporting entity" since the School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Additionally, the District does not exercise oversight responsibility over any other entities and, consequently, no other entities have been included in the accompanying financial statements.

The District is affiliated with the Greater Altoona Career and Technical Center (the Center), along with seven other member School Districts through a joint-venture agreement. The member Districts participated in providing oversight responsibility to the Center through the following:

- Appointing of Board members who are also board members of the participating schools
- Approval and funding of operating budgets

The District has an ongoing financial responsibility to fund its proportionate share of the operating budgets of the Center. It has no equity interest in the Center. Separate financial statements are prepared for and available from the Center.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the School District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state, and other grants designated for payment of specific school district expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the District's policy to use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed.

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition use and balances of the School District's expendable financial resources and the related liabilities (except those accounted for in Proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund. Revenues are primarily derived from local property, earned income tax and state and Federal distributions. Many of the more important activities of the School District, including instruction, administration of the School District and certain non-instructional services are accounted for in this fund.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District reports the following major enterprise fund:

The Food Service Fund accounts for the activities of the District's food service program.

The Day Care Fund accounts for the activities of the District's Day Care facilities.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise funds are food service charges and day care charges. Operating expenses for the School District's enterprise funds include food production costs, personnel, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The School District does not attempt to allocate "building-wide costs" to the Food Service Fund or Day Care Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund and Day Care Fund; similarly, the Food Service Fund and Day Care Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The Consolidated Scholarship Fund accounts for assets held by the District in a trustee capacity in a private-purpose trust fund. This fund accounts for activities in the various scholarship and trust accounts, whose sole purpose is to provide annual scholarships and other private goodwill activities to particular students as prescribed by donor stipulations.

The Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are also accounted for using the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

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

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School 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 ten days prior to when final action on adoption is taken by the Board.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting (Continued)

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. 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.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary funds and the nonexpendable trust fund, the School District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Allowances for Estimated Uncollectible Taxes and Deferred Revenues:

The allowance for estimated uncollectible taxes is based upon a historical estimate of delinquent taxes that will not be received within one year of the fiscal year-end. Deferred revenues are based upon a historical estimate of delinquent taxes expected to be received within one year of the fiscal year-end.

The portion of taxes receivable which is expected to be received within 60 days of June 30 is recorded as revenues in the current year. The remaining amount of taxes receivable which is expected to be received within one year from June 30 is recorded as deferred revenues. All other amounts in taxes receivable are written off as estimated uncollectible taxes.

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

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2019. The inventory consisted of government donated commodities which were valued at estimated fair market value, using the first-in, first-out (FIFO) method.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at the discretion of management, unless the assets are acquired by debt proceeds, in which case the asset is required to be capitalized. Management considers various factors in the capitalization of assets, including the asset's estimated useful life, cost, and the extent to which the asset is part of a larger capital project. The District's policy capitalizes library books, classroom texts, computer equipment, classroom furniture by groups. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is provided for fixed assets on the straight-line basis over the estimated useful life of the asset or group of assets as determined by management.

Deferred Outflows of Resources - Deferred amounts on Refunding Debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow, which is a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Deferred Outflows of Resources - Pensions: The District recognizes the difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes changes in assumptions, net difference between projected and actual investment earnings, benefit payments subsequent to the measurement date and contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the Statement of Net Position. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the School District accrues for certain accumulated employee benefits, such as unpaid vacation and sick pay. Calculation of this amount is determined by the appropriate vacation, sick and retirement lump-sum payments which would be available to employees if they would leave or retire from the School District, and is adjusted for expected turnover rates of employees. Accrued-benefit days, multiplied by appropriate salary amounts, are reflected as a long-term liability unless retirements are likely within the upcoming fiscal year. Those costs determined to be current year cost are reflected as a liability of the General Fund.

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees' Retirement System, a governmental, cost-sharing, multiple-employer, defined-benefit pension plan. The District provides retiree-health, vision, dental, and prescription-drug coverage to eligible, retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Post-Employment Benefits (Continued):

The balances of the District's OPEB obligations and deferred outflow/inflow of resources at June 30, 2020, are as follows:

OPEB Obligations	Governmental Activities	Business-Type Activities	Total
PSERS Cost Sharing Plan - OPEB Obligation (note 10)	\$ 1,680,000	\$ 41,000	\$ 1,721,000
District Plan - OPEB Obligation (note 9)	2,924,000	-	2,924,000
Total	<u>\$ 4,604,000</u>	<u>\$ 41,000</u>	<u>\$ 4,645,000</u>
Deferred Outflows of Resources			
PSERS Cost Sharing Plan obligation	\$ 193,000	\$ 6,000	\$ 199,000
District OPEB Plan obligation	823,000	-	823,000
Total	<u>\$ 1,016,000</u>	<u>\$ 6,000</u>	<u>\$ 1,022,000</u>
Deferred Inflows of Resources			
PSERS Cost Sharing Plan obligation	\$ 92,000	\$ 1,000	\$ 93,000
District OPEB Plan obligation	602,000	-	602,000
Total	<u>\$ 694,000</u>	<u>\$ 1,000</u>	<u>\$ 695,000</u>

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost Sharing Plan are in Notes 9 and 10, respectively.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

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

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts.

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes property tax revenues when they become available. Available includes those property taxes expected to be collected within 60 days after year-end. Those property taxes expected to be collected beyond 60 days after year-end are shown as deferred revenue in the fund financial statements. Governmental funds also defer revenues in connection with resources that have been received, but not yet earned.

Deferred Inflows of Resources - Pensions: The District recognizes their share of the difference between expected and actual experience and changes in proportion as deferred inflows of resources. These amounts are amortized over the average remaining services lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between projected earnings and actual investments of their plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Fund Financial Statements - Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Government-wide Financial Statements - Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statements of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statements of Activities.

Equity Classifications:

Government-Wide Statements - Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the District's policy to first use restricted balances prior to the use of unrestricted balances when an expense is incurred for purposes for which both restricted and unrestricted balances are available.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Fund Balance:

Fund Financial Statements - Governmental fund equity is classified as fund balance. Proprietary fund equity and fiduciary fund equity is classified the same as in the government-wide statements.

The School District's fund balance classifications are defined and described as follows:

Non-spendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for specific purpose but are neither restricted nor committed. Through Board Policy, the Board has delegated the authority to express intent to the District's Business Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to the specific purpose within the general fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an assigned and unassigned general fund balance of not less than 5 percent and not more than 10 percent of the budgeted expenditures for the year.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 8, 2020, the date the financial statements were available to be issued. See note 14.

Note 2. Deposits and Investments

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

- U. S. Treasury Bills
- Short-term obligations of the U. S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository

to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law is pledged by the depository.

- Obligations of (a) the United States of America or its agencies or instrumentalities backed by full-faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or instrumentalities backed by the full-faith and credit of the political subdivision.
- Shares of investment companies whose investments are restricted to the above categories.

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

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. As of June 30, 2020, \$9,236,589, of the District's total bank balances of \$9,736,589 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72	\$ 9,236,589

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgor of the assets.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits: Custodial-Credit Risk (Continued)

The District invests in Certificates of Deposit at a number of banks through a PSDLAF program. These investments are individually covered by FDIC as they are under the FDIC insurance threshold of \$250,000. The certificates are invested at the various banks and are held in the name of the District.

Investments

As of June 30, 2020, the District had the following investments:

Portfolio Assets

Investment	Credit Rating	Weighted Average Maturities in days	Fair Values
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	71 days	\$ 1,484,133
Pennsylvania Local Government Investment Trust (PLGIT)			
PLGIT - Class shares	AAAm	99 days	1,027,748
PLGIT/PLUS - Class shares	AAAm	99 days	1,006,418
PLGIT/PLUS - CD Program	AAAm	164 days	1,959,000
			<u>\$ 5,477,299</u>

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

PLGIT - This fund invests primarily in U.S. Treasury and Federal-agency securities and repurchase agreements, secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940. The fund maintains a weighted average maturity to reset of 60 days or less.

PLGIT-Class shares is a flexible option, within the PLGIT fund, which requires no minimum balance, no minimum initial investment requirement and has a minimum investment period of one day. Dividends are paid monthly.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets (Continued)

PLGIT/Plus-Class shares is an option within the PLGIT fund which requires a minimum investment of \$50,000, a minimum investment period of thirty (30) days, and has a premature withdrawal penalty. Dividends are paid quarterly.

The District categorizes its fair-value measurements within the fair-value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair values of assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant, other observable inputs; Level 3 inputs are significant, unobservable inputs. Presently, the investments held by the District are valued at amortized cost and are not subject to the fair-value-level disclosures.

Weighted Average Maturity

The weighted average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

Concentrations of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investment in PSDLAF represents 27% of the District's total investments. The District's investment in PLGIT represents 73% of the District's total investments.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Property Taxes

Based upon assessed valuations provided by the Counties, the tax collector bills and collects property taxes on behalf of the School District. The schedule for property taxes levied for 2019-2020 was as follows:

July 1, 2019	tax levy date
Through August 31, 2019	2% discount
Through October 31, 2019	face payment period
November 1, 2019	10% penalty period
4th Monday, 2020	lien filing date
January 1, 2020	interim tax levy date

The School District's tax rate for all purposes in 2019-2020 was 6.72 mills, 26.47 mills, and 46.97 mills (\$6.72, \$26.47, \$46.97 per \$1,000 assessed valuation) for Blair, Centre and Huntingdon Counties respectively. Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania accounting system.

Note 4. Taxes Receivable, Deferred Revenues and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2020, follows:

	Amount
Uncollected taxes	\$ 792,484
Estimated uncollectible taxes	<u>50,400</u>
Taxes Receivable - Net	<u>\$ 742,084</u>
Taxes to be collected within 60 days	\$ 220,415
Deferred revenues - delinquent taxes	<u>521,669</u>
Taxes Receivable - Net	<u>\$ 742,084</u>
Deferred Inflows of Resources - General Fund	
Governmental Activities	
Delinquent taxes	<u>\$ 521,669</u>
Unearned Revenue - General Fund	
Federal subsidies	<u>\$ 369,373</u>
Business-Type Activities	
Unearned Revenue - Food Service Fund	
Federal subsidies	<u>\$ 1,650</u>

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Accounts

There were no individual fund receivable and payable balances at June 30, 2020.

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

There were no individual fund transfer activity at June 30, 2020.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to fund the statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020
Governmental Activities				
Capital assets, not being depreciated				
Construction-in-progress	\$ 1,088,433	\$ -	\$ 497,233	\$ 591,200
Capital assets being depreciated				
Land and site improvements	2,837,536	1,300,417	-	4,137,953
Buildings and building improvements	48,986,647	527,899	-	49,514,546
Furniture and equipment	3,100,065	694,229	(46,351)	3,747,943
Total capital assets being depreciated	54,924,248	2,522,545	-	57,400,442
Less accumulated depreciation				
Land and site improvements	1,455,628	148,983	-	1,604,611
Buildings and building improvements	18,360,288	952,265	-	19,312,553
Furniture and equipment	2,368,983	268,535	(46,351)	2,591,167
Total Accumulated Depreciation	22,184,899	1,369,783	(46,351)	23,508,331
Total capital assets being depreciated, net	32,739,349	1,152,762	-	33,892,111
Governmental Activities, Capital Assets - Net	\$ 33,827,782	\$ 1,152,762	\$ -	\$ 34,483,311
Business-Type Activities				
Furniture and equipment	\$ 618,291	\$ 49,381	\$ (23,700)	\$ 643,972
Total Business-Type Activities Assets	618,291	49,381	(23,700)	643,972
Less accumulated depreciation				
Furniture and equipment	528,938	19,486	(23,700)	524,724
Business-Type Activities, Capital Assets - Net	\$ 89,353	\$ 29,895	\$ -	\$ 119,248

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 949,116
Instructional student support	108,347
Administration and financial support	189,200
Operation and maintenance of plant services	94,871
Pupil transportation	2,056
Student activities	26,193
Total governmental activities	1,369,783
Business-Type Activities:	
Food Service	19,486
Total School District	<u>\$ 1,389,269</u>

Note 7. Long-Term Obligations

During the fiscal year ended June 30, 2020, general long-term debt changed as follows:

	Balances July 1, 2019	Increases	Decreases	Balances June 30, 2020	Due within one year
Governmental Activities					
Compensated absences	\$ 793,020	\$ -	\$ (74,812)	\$ 718,208	\$ -
Total Governmental Activities	<u>\$ 793,020</u>	<u>\$ -</u>	<u>\$ (74,812)</u>	<u>\$ 718,208</u>	<u>\$ -</u>
Business-Type Activities					
Compensated absences					
Food Service	\$ 5,939	\$ 903	\$ -	\$ 6,842	\$ -
Day Care	2,822	-	(410)	2,412	-
Total Business-Type Activities	<u>\$ 8,761</u>	<u>\$ 903</u>	<u>\$ (410)</u>	<u>\$ 9,254</u>	<u>\$ -</u>

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

Compensated Absences

Under the terms of the School District's various employment agreements and employment contract's unused accumulated sick days will be paid at a fixed, per day amount to employees meeting certain criterion as described below.

Vacation

School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job-classification. Vacation, for most employee categories, may be taken or paid within certain limits.

Accumulated Sick Days

Professional employees with five or more years of service with Tyrone Area School District shall be compensated for unused sick leave days at a rate of \$30.00 per day for all unused days. If the employee gives notice at least one semester prior to retirement, the employee shall receive \$50.00 per day.

Non-professionals with five or more years of service with Tyrone Area School District shall receive payment at a rate of one-half of their daily rate per day for any accumulated sick-leave, up to 150 days.

Other Post-Employment Benefits

As described in Notes 9 and 10, the District provides access to retiree health, and dental care benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions

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

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

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

Employer Contributions

The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2019, the District's rate of contribution was 34.29% of covered payroll. The 34.29% rate is composed of a pension contribution rate of 33.45% for pension benefits and 0.84% for healthcare-insurance premium assistance (OPEB Benefits).

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2020, 2019, and 2018, were \$3,763,010, \$3,652,237, and \$3,473,793, respectively, and are equal to the required contributions for said years. For the year ended June 30, 2020, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$2,456,238.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2020, the District reported a liability of \$37,847,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .0809%, which was an increase of .0011% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$4,158,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 208,000	\$ 1,254,000
Changes in assumptions	362,000	-
Net difference between projected and actual investment earnings	558,000	618,000
Changes in proportions	-	108,000
Difference between employer contributions and proportionate share of total contributions	54,000	-
Contributions subsequent to the measurement date	3,763,000	-
	<u>\$ 4,945,000</u>	<u>\$ 1,980,000</u>

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

\$3,763,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2021	\$ 167,000
2022	(797,000)
2023	(240,000)
2024	71,000
2025	1,000
	<u>\$ (798,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability as of the June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurements:

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

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

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined-Benefit Pension Plan (Continued)

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 47,143,000	\$ 37,847,000	\$ 29,976,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2020, the District has payables to the PSERS pension plan of \$1,454,706. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2020.

Pension Reform

Pursuant to Commonwealth Act 2017-5, members hired on or after July 1, 2019, are required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined-benefit and defined-contribution components. The third option is a stand-alone defined contribution plan. PSERS school employers will be charged interest at the assumed rate of return, currently 7.25%, for delinquent payments to PSERS rather than 6%.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - Single Employer District Plan

Plan Description - The District provides retiree health, vision and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries. This is a single employer defined-benefit plan administered by the District. Benefits are provided to all faculty, academic staff and support staff upon retirement under PSERS superannuation or early-retirement provisions. Currently, the plan has 182 active participants and 13 retired participants. The plan does not issue a separate stand-alone financial statement.

Funding Policy - The District's medical plans are self-funded and each plan's premiums are updated annually based on actual claims. The District funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB No. 75.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - Single Employer District Plan (Continued)

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

At June 30, 2020, the District reported a liability of \$2,924,000 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019. The OPEB liability is composed of the following:

	Amount
OPEB liability at July 1, 2018	\$ 2,140,000
Service Cost	119,000
Interest	73,000
Differences between Expected and Actual Experience	274,000
Changes of Assumptions	453,000
Benefit Payments	(135,000)
Net Changes	784,000
OPEB liability at July 1, 2019	<u>\$ 2,924,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$177,000. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 244,000	\$ -
Changes of assumptions	444,000	602,000
Benefit payments subsequent to the measurement date	135,000	-
	<u>\$ 823,000</u>	<u>\$ 602,000</u>

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - Single Employer District Plan (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$135,000 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2021	\$ (15,000)
2022	(15,000)
2023	(15,000)
2024	(15,000)
2025	(15,000)
Thereafter	161,000
	<u>\$ 86,000</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Investment rate of return - 3.36%. Based on S&P Municipal Bond 20-year High Grade Rate Index at 7/1/2019.
- Health care cost trend rate - 6.0% in 2018, and 5.5% in 2019-2021. 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.
- Retirees' Share of Benefit Related Costs - Retiree contributions are assumed to increase at the same rate as Health Care Cost Trend Rate.
- Mortality rates are separate and 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 MP-2017 projection scale to reflect mortality improvement.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Post-Employment Benefits - Single Employer District Plan (Continued)

Sensitivity of the District's Total OPEB liability to Changes in Discount Rate and Health Care Trend Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 2.21%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage higher (3.21%) than the current rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
District's proportionate share of the total OPEB liability	\$ 3,198,000	\$ 2,924,000	\$ 2,665,000

The discount rate used to measure the Total OPEB liability decreased to 2.21% as of June 30, 2019 based on the Bond Buyer 20 Year Bond GO Index.

The following presents the total OPEB liability of the district calculated using the health care cost trend rate of (6.8% in 2020 decreasing to 3.7% in 2076), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage higher than the current rate:

	1% Decrease (5.8% decreasing to 2.7%)	Health Care Cost Trend Rates (6.8% decreasing to 3.7%)	1% Increase (7.8% increasing to 4.7%)
District's proportionate share of the total OPEB liability	\$ 2,491,000	\$ 2,924,000	\$ 3,450,000

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan

System Administration

The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or the System) administers a defined benefit pension plan, and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The System is a governmental cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public-school employees of the Commonwealth of Pennsylvania (Commonwealth). 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. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

The control and management of the System, including the investment of its assets is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020, was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$94,752 for the year ended June 30, 2020.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

At June 30, 2020, the District reported a liability of \$1,721,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .0809% percent, which was an increase of .0011% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$83,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,000	\$ -
Changes in assumptions	57,000	51,000
Net difference between projected and actual investment earnings	23,000	42,000
Changes in proportions	3,000	-
Difference between employer contributions and proportionate share of total contributions	13,000	-
Contributions subsequent to the measurement date	93,000	-
	<u>\$ 199,000</u>	<u>\$ 93,000</u>

\$93,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	Total
2021	\$ 1,000
2022	1,000
2023	(4,000)
2024	(9,000)
2025	14,000
Thereafter	10,000
	<u>\$ 13,000</u>

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class of June 30, 2019.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Change in Actuarial Assumptions

The discount rate used to measure the Total OPEB liability decreased from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (continued)

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, calculated using the discount rate of 2.79%, 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 one-percentage-point lower (1.79%) or one-percentage-point higher (3.79%) than the current discount rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ 1,960,000	\$ 1,721,000	\$ 1,522,000

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 were calculated using healthcare cost trend rates (between 5% to 8%) that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)
System net OPEB liability	\$ 1,720,000	\$ 1,721,000	\$ 1,721,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2020, the District has payables to the OPEB plan of \$36,629.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Self-Insurance

Effective July 1, 1998, the Tyrone Area School District joined the Blair County Schools Health Insurance Consortium, which is a consortium of school districts located in Blair County. The Consortium was organized and created in accordance with the Public School Code of 1949, as amended. The Consortium elected to finance health care benefits for eligible school district personnel using a self-insured approach known as an Administrative Service Contract (ASC) arrangement. The ASC funding method is a self-funding rating option, which has the Consortium pay actual claims of its groups with an administrative charge paid for claims processing, plus stop loss insurance premiums. The ASC funding arrangement is on a "paid" basis for claims incurred within a twelve-month period and paid within a fifteen-month contract period. The Consortium establishes a reserve, as required by PA State Insurance Law, equal to 30 days of average paid claims; this reserve is recalculated and adjusted annually. During the contract period ended June 30, 2020, the Tyrone Area School District made contributions to the Consortium for its share of paid claims, administrative expenses, stop loss insurance costs and required reserves of \$2,554,883, which was charged as an expenditure for health care benefits. As of the date of these financial statements, the annual reserve calculation for the period ended June 30, 2020, has not been completed.

Tyrone Area School District self-insures the cost of dental insurance. During the 2019-2020 fiscal year, \$76,152 in dental claims were paid.

Note 12. Affiliates

The District is affiliated with the Appalachia Intermediate Unit #8 (AIU#08) and the Greater Altoona Career and Technical Center (GACTC). The member school Districts participate in providing oversight responsibility to the IU#08 and the GACTC through appointment of Board members, who are also Board members of the participating school Districts and, approval and funding of operating budgets.

Tyrone Area School District is a member of the Appalachia Intermediate Unit #08. The Appalachia Intermediate Unit #08 Board members consist of 14 members from the 42 member districts, CTC's and Charter schools in the region serving on a rotational basis. The members are appointed to the IU #08 Board by the member Districts' Board of School Directors. Through this membership, the District is able to secure various special services, including special education, curriculum development, and certain internal-service functions. The District's share of general operational expense of Appalachia Intermediate Unit #08 for the year 2019-2020 was \$6,090.94.

Tyrone Area School District is served by the Greater Altoona Career and Technical Center (the Center). The District is one of eight-member school districts participating in the operation of the Center. The Center is operated, administered, and managed by a joint-operating committee consisting of board members from each of the eight-member school Districts. Students of the District are offered courses and curriculums at the Vo-Tech that are related to various technical-training fields. Costs of the Vo-Tech are shared with other local Districts. The GACTC general operating expense is \$10,021,998. The Tyrone Area School District pays for 6.8% of that, based upon student enrollment in the Vo-Tech for the year 2019-2020.

TYRONE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Affiliates (Continued)

The Tyrone Area School District is served by the Blair County Tax Collection Bureau (BCTCB) and along with the municipalities within the District border have representation on the Board of Directors. The bureau exists to expedite and to consolidate the collection of Earned Income Taxes (.5% on earnings) on behalf of the District. Representation on the BCTCB Board is fulfilled by the District Business Manager, Board Chairman. The District currently surrenders 1.4% of collections as a fee for services.

The District is a founding member of the Blair County School Health Consortium (BCSHC) with the objective of cooperatively purchasing healthcare insurance services. The Consortium functions as a self funded insurer and purchases claims payment, adjustment and negotiated reimbursement services through Highmark of Western PA. The consortium brokerage firm is The Reschini Agency of Indiana, PA. The seven member districts are represented by their respective Business Managers according to the bylaws of the consortium. The Tyrone Business Manager is serving as the current Fiscal Agent for the consortium. District fees are based upon plan design and participant count. The consortium and the Districts rate of increase in coverage has averaged 5.3% over the past 15 years.

Note 13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

Note 14. Subsequent Events

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have impacted the operations and finances of School Districts. Changes in service approach, labor and personnel changes, facility closings, contracted service disruptions, personal protective equipment purchases, and technological equipment acquisitions have affected all School Districts. Unstable conditions enhance School District's risk factors as they have significant reliance on revenues from taxpayers and governmental agencies to fund their operations. These factors impact revenue recognition, cash flows and liquidity, and contingencies. Presently, the ultimate effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

REQUIRED SUPPLEMENTARY INFORMATION

TYRONE AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT SINGLE EMPLOYER PLAN**

Year Ended June 30,	2020	2019	2018
Service cost	\$ 119,000	\$ 115,000	\$ 189,000
Interest	73,000	76,000	97,000
Differences between Expected and Actual Experience	274,000	-	-
Changes in assumptions	453,000	53,000	(905,000)
Benefit payments	(135,000)	(122,000)	(121,000)
Net changes	784,000	122,000	(740,000)
Total OPEB Liability - Beginning	2,140,000	2,018,000	2,758,000
Total OPEB Liability - Ending	<u>\$ 2,924,000</u>	<u>\$ 2,140,000</u>	<u>\$ 2,018,000</u>
District's Covered-Employee Payroll	<u>\$ 11,213,452</u>	<u>\$ 11,154,773</u>	<u>\$ 10,751,652</u>
Total OPEB Liability as a % of Covered-Employee Payroll	26.08%	19.18%	18.77%

Notes to schedule:

Changes of Assumptions

The discount rate changed from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

TYRONE AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB

LIABILITY - PSERS COST SHARING PLAN

Year Ended June 30,	2020	2019	2018
District's proportion of the net OPEB liability	0.0809%	0.0798%	7.9600%
District's proportionate share of the net OPEB liability	<u>\$ 1,721,000</u>	<u>\$ 1,664,000</u>	<u>\$ 1,622,000</u>
District's covered employee payroll	<u>\$ 11,154,773</u>	<u>\$ 10,751,652</u>	<u>\$ 10,592,534</u>
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	15.43%	15.48%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

TYRONE AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
PSERS COST SHARING PLAN**

Year Ended June 30, 2020

	2020	2019	2018
Contractually required contribution	\$ 94,752	\$ 92,987	\$ 89,443
Contributions in relation to the contractually required contribution	(94,752)	(92,987)	(89,443)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	<u>\$ 11,213,452</u>	<u>\$ 11,154,773</u>	<u>\$ 10,751,652</u>
Contributions as a percentage of covered employee payroll	0.84%	0.83%	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

TYRONE AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF DISTRICT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

Year Ended June 30	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	\$ 37,847,000	\$ 38,308,000	\$ 39,313,000	\$ 41,132,000	\$ 35,345,000	\$ 31,427,000
District's proportionate share of the net pension liability	0.0809%	0.0798%	0.0796%	0.0830%	0.0816%	0.0794%
District's covered-employee payroll	\$ 11,154,773	\$ 10,751,652	\$ 10,592,537	\$ 10,752,032	\$ 10,503,515	\$ 10,128,874
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	339.29%	356.30%	371.14%	382.55%	336.51%	310.27%
Plan fiduciary net position as a percentage of the total pension liability	55.16%	54.00%	51.84%	50.14%	54.36%	57.24%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

TYRONE AREA SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Year Ended June 30	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,763,010	\$ 3,652,237	\$ 3,420,802	\$ 3,106,412	\$ 2,636,292	\$ 2,095,425
Contributions in relation to the contractually required contribution	3,763,010	3,652,237	3,420,802	3,106,412	2,636,292	2,095,425
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 11,213,452</u>	<u>\$ 11,154,773</u>	<u>\$ 10,751,653</u>	<u>\$ 10,591,298</u>	<u>\$ 10,752,512</u>	<u>\$ 10,128,874</u>
Contributions as a percentage of covered-employee payroll	33.56%	32.74%	31.82%	29.33%	24.52%	20.69%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

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

Board of School Directors
Tyrone Area School District
Tyrone, 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, each major fund, and the aggregate remaining fund information of Tyrone Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Tyrone Area School District's basic financial statements, and have issued our report thereon dated January 8, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in dark ink and is centered on the page.

State College, Pennsylvania
January 8, 2021

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

Board of School Directors
Tyrone Area School District
Tyrone, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Tyrone Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tyrone Area School District's major federal programs for the year ended June 30, 2020. Tyrone Area School 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe 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 Tyrone Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tyrone Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script, reading "Boyer & Ritten". The signature is written in dark ink and is positioned centrally on the page.

State College, Pennsylvania
January 8, 2021

TYRONE AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified: ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over the major programs:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)3? ☐ Yes ☒ No

TYRONE AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
Special Education Cluster	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

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

Auditee qualified as low-risk auditee? X Yes No

Section II -- Financial Statement Findings

A. Significant Deficiency (ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

TYRONE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

	Source Code	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Education					
Passed through the Pennsylvania					
Department of Education:					
Title I Cluster					
Title I - Improving Basic Programs	I	84.010	013-190440	18-19	\$ 490,797
Title I - Improving Basic Programs	I	84.010	013-200440	19-20	\$ 491,387
Title I - Delinquent	I	84.010	107-170440	16-17	\$ 265,226
Title I - Delinquent	I	84.010	107-180440	17-18	\$ 232,140
Title I - Delinquent	I	84.010	107-190440	18-19	\$ 126,228
Title I - Delinquent	I	84.010	107-200440	19-20	\$ 111,733
Improving Teacher Quality	I	84.367	020-180440	17-18	\$ 80,099
Improving Teacher Quality	I	84.367	020-190440	18-19	\$ 76,891
Improving Teacher Quality	I	84.367	020-200440	19-20	\$ 71,622
Title IV - Student Support and Academic Enrichment Grant	I	84.424	144-180440	17-18	\$ 11,199
Title IV - Student Support and Academic Enrichment Grant	I	85.424	144-190440	18-19	\$ 35,712
Title IV - Student Support and Academic Enrichment Grant	I	84.424	144-200440	19-20	\$ 36,733
Secondary Allocation	I	84.048	380-200072	19-20	\$ 16,699

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2019	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2020	Provided to Subrecipients
\$ 70,096	\$ 47,448	\$ -	\$ -	\$ (22,648)	\$ -
491,434	-	475,618	475,618	(15,816)	-
-	(72,448)	-	-	(72,448)	-
107,142	(48,347)	-	-	(155,489)	-
63,114	7,954	55,160	55,160	-	55,160
95,772	-	26,717	26,717	(69,055)	26,717
827,558	(65,393)	557,495	557,495	(335,456)	81,877
-	(411)	-	-	(411)	-
5,743	3,088	-	-	(2,655)	-
72,112	-	69,459	69,459	(2,653)	-
77,855	2,677	69,459	69,459	(5,719)	-
5,169	5,169	-	-	-	-
10,203	5,289	3,682	3,682	(1,232)	-
34,109	-	7,143	7,143	(26,966)	-
49,481	10,458	10,825	10,825	(28,198)	-
16,699	-	16,699	16,699	-	-

TYRONE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2020

	Source Code	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Education (Continued)					
Special Education Cluster					
Passed Through Appalachia Intermediate Unit #8					
Special Education - Grants to States	I	84.027	062-19-0008	18-19	\$ 320,140
Special Education - Grants to States	I	84.027	062-20-0008	19-20	\$ 296,417
Special Education - Preschool Grants	I	84.173	131-18-0038	18-19	\$ 22,415
Special Education - Preschool Grants	I	84.173	N/A	19-20	\$ 22,581
Special Education - Grants to States	I	84.027	131-18-0008	18-19	\$ 38,132
Special Education - Grants to States	I	84.027	N/A	19-20	\$ 48,733
Special Education - Preschool Grants	I	84.173	131-18-0008	18-19	\$ 3,420
Special Education - Preschool Grants	I	84.173	131-19-0008	19-20	\$ 3,652
Total Special Education Cluster					
Total U.S. Department of Education					
U.S. Department of Agriculture					
Child Nutrition Cluster					
Passed through the Pennsylvania					
Department of Education:					
National School Lunch Program	I (F)	10.555	N/A	18-19	N/A
School Breakfast Program	I (F)	10.553	N/A	18-19	N/A
National School Lunch Program	I (F)	10.555	N/A	19-20	N/A
School Breakfast Program	I (F)	10.553	N/A	19-20	N/A
Summer Food	I (F)	10.559	N/A	19-20	N/A
Passed through the Pennsylvania					
Department of Agriculture:					
Food Donation (a)	I (F)	10.555	108-07-800-3	18-19	N/A
Food Donation (a)	I (F)	10.555	108-07-800-3	19-20	N/A
Food Donation (a)	I (F)	10.555	108-07-800-3	19-20	N/A
Total Child Nutrition Cluster					
Total U.S. Department of Agriculture					
Total Expenditures of Federal Awards					

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2019	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2020	Provided to Subrecipients
320,140	320,140	-	-	-	-
-	-	296,417	296,417	296,417	-
22,415	22,415	-	-	-	-
-	-	22,581	22,581	22,581	-
38,132	38,132	-	-	-	-
-	-	48,733	48,733	48,733	-
3,420	3,420	-	-	-	-
-	-	3,652	3,652	3,652	-
384,107	384,107	371,383	371,383	371,383	-
1,355,700	331,849	1,025,861	1,025,861	2,010	81,877
4,639	4,639	-	-	-	-
2,329	2,329	-	-	-	-
319,329	-	319,329	319,329	-	-
107,005	-	107,005	107,005	-	-
221,398	-	258,017	258,017	36,619	-
654,700	6,968	684,351	684,351	36,619	-
-	(9,713)	9,713	9,713	-	-
65,937	-	64,287	64,287	(1,650)	-
1,881	-	1,881	1,881	-	-
67,818	(9,713)	75,881	75,881	(1,650)	-
722,518	(2,745)	760,232	760,232	34,969	-
722,518	(2,745)	760,232	760,232	34,969	-
\$ 2,078,218	\$ 329,104	\$ 1,786,093	\$ 1,786,093	\$ 36,979	\$ 81,877

TYRONE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2020

Source Codes:

- D - Direct Funding
- I - Indirect Funding
- (F) - Federal Share
- (S) - State Share

Legends:

- (a) Donated commodities value at local market values
- (b) Total amount of commodities received from
Department of Agriculture
- (c) Inventories at July 1, 2019
- (d) Total amount of commodities used
- (e) Inventories at June 30, 2020

TYRONE AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District's Federal award programs for year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2. Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Tyrone Area School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

TYRONE AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2020

There were no prior year's audit findings