

**DOVER AREA SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Dover Area School District  
Dover, 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 Dover Area School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

We believe 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 Dover Area School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As disclosed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 84 *Fiduciary Activities*, as of July 1, 2020. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 4 through 11 and the required supplementary information as listed in the 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 which 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 Dover Area School District’s basic financial statements. The Combining Balance Sheet - Capital Projects Funds, Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds and 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*, listed in the Contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplementary Information as listed in the Contents 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 Supplementary Information as listed in the Contents 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 12, 2022, on our consideration of Dover Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dover 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 Dover 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 black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 12, 2022

**DOVER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Year Ended June 30, 2021**

Management's Discussion and Analysis of the Dover Area School District provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of the MD&A is to look at the District's financial performance. Readers should also review the financial statements and notes in conjunction with the MD&A to enhance their understanding of the School District's financial performance.

**Overview of the Financial Statements**

The Annual Financial Report consists of various financial statements and the notes to those statements. The financial reports consist of District-wide and individual fund statements. The District-wide statements present an aggregate long-term view of the District's finances. The fund financial statements focus on the short-term financing of the District's services and what remains for future spending.

**District-wide Statements**

*Statement of Net Position and Statement of Activities*

The Statement of Net Position and Statement of Activities reflect all assets and liabilities using the accrual basis of accounting similar to the basis used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash was received or paid. These statements report the District's net position and change in net position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished.

In the Statement of Net Position and Statement of Activities, the District is divided into two categories:

Governmental Activities - Most of the School District's programs are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activity - This service is provided on a charge for goods and services basis to recover the expenses of the goods or services provided. The Food Service Program is reported as a business activity.

**Fund Financial Statements**

Fund financial reports provide detailed information about the District's funds. Funds are used to separate financial transactions to better monitor specific activities.

Funds at Dover Area School District include:

- Major Governmental Funds
  - General Fund
  - Capital Projects Fund
  - Student Sponsored Activity Fund
- Proprietary Fund
  - Enterprise Fund - Food Services

**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

**Financial Highlights**

- Actual change in governmental activities net position decreased by \$7,608,005 while business-type activity had a minimal decrease in net position by \$121,968.
- General Fund unassigned fund balance at June 30, 2021, was \$4,169,989, which represents 6.21% of the 2020-2021 General Fund Approved Budget. General Fund nonspendable fund balance includes \$4,066,269 for medical insurance prepayments with Lincoln Benefit Trust and other prepayments. General Fund committed fund balance of \$9,756,302 includes \$5,091,912 for retirement contributions, \$500,000 for technology, \$907,802 medical costs and \$3,256,588 for debt principal.
- Total governmental fund balances equaled \$27,622,536. The following shows the breakdown by fund:
  - General Fund Balance of \$17,992,560
  - Capital Projects Fund Balance of \$9,530,433
  - Student Sponsored Activity Funds of \$99,543

**Reporting the School District as a Whole**

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of net position for 2021 compared to 2020:

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Total assets	\$ 136,436,716	\$ 148,296,499	\$ 1,108,624	\$ 1,109,313	\$ 137,545,340	\$ 149,405,812
Total deferred outflows of resources	\$ 17,375,864	\$ 15,161,084	\$ 342,108	\$ 295,928	\$ 17,717,972	\$ 15,457,012
Total liabilities	\$ 205,309,282	\$ 208,150,550	\$ 2,110,585	\$ 1,941,378	\$ 207,419,867	\$ 210,091,928
Total deferred inflows of resources	\$ 4,623,315	\$ 3,943,734	\$ 72,395	\$ 74,143	\$ 4,695,710	\$ 4,017,877
Net investment in capital assets	\$ 4,092,864	\$ 3,759,961	\$ 85,539	\$ 95,519	\$ 4,178,403	\$ 3,855,480
Restricted	9,629,976	11,669,004	-	-	9,629,976	11,669,004
Unrestricted	(69,842,857)	(64,065,666)	(817,787)	(705,799)	(70,660,644)	(64,771,465)
<b>Total net position</b>	<b>\$ (56,120,017)</b>	<b>\$ (48,636,701)</b>	<b>\$ (732,248)</b>	<b>\$ (610,280)</b>	<b>\$ (56,852,265)</b>	<b>\$ (49,246,981)</b>

*Governmental Activities*

On June 30, 2021, the School District had total assets from governmental activities of \$136,436,716; which was a decrease of \$11,859,783 or 8.00% during the fiscal year. Total governmental deferred outflows increased by \$2,214,780 and deferred inflows increased by \$679,581, while governmental liabilities decreased by \$2,841,268. Factors that significantly affected net position in the 2020-2021 fiscal year were:

- General Fund cash and investments decreased by \$995,509 from the prior year, while capital projects cash and investments (capital project and capital reserve) decreased by \$17,645,167. General Fund cash and investments decreased due to timing differences for cash receipts and disbursements from 2020 to 2021. Also, interest income decreased by \$323,449 due to a weak economy as a result of the pandemic. Capital Project Fund cash and investments decreased due to payouts of over \$14 million in expenditures for the high school project and middle school project, other various small projects throughout the District and decreased interest earnings of \$758,631 due to decreased balances in the funds and the pandemic.
- Outstanding debt decreased by \$3,997,000 due to principal that was repaid on older debt.



**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

Table 2 reflects the changes in net position for fiscal year 2021 compared to fiscal year 2020:

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 345,023	\$ 340,249	\$ 22,603	\$ 545,295	\$ 367,626	\$ 885,544
Operating grants and contributions	15,721,390	13,743,470	1,745,226	1,271,362	17,466,616	15,014,832
General revenues and transfers						
Property taxes	30,953,990	30,161,849	-	-	30,953,990	30,161,849
Other taxes	6,599,561	6,433,484	-	-	6,599,561	6,433,484
Grants, subsidies and contributions not restricted	13,275,232	13,597,603	-	-	13,275,232	13,597,603
Investment earnings	228,376	1,310,467	62	9,091	228,438	1,319,558
Miscellaneous income	29,260	31,269	-	-	29,260	31,269
Transfers	(15,917)	-	15,917	-	-	-
Gain on disposition of capital assets	213,394	-	-	-	213,394	-
<b>Total revenues and transfers</b>	<b>67,350,309</b>	<b>65,618,391</b>	<b>1,783,808</b>	<b>1,825,748</b>	<b>69,134,117</b>	<b>67,444,139</b>
<b>Expenses</b>						
Instruction	51,442,837	44,920,894	-	-	51,442,837	44,920,894
Instructional student support	6,241,642	5,898,545	-	-	6,241,642	5,898,545
Administrative and financial services	5,451,969	5,286,222	-	-	5,451,969	5,286,222
Operation and maintenance of plant services	3,851,068	4,653,721	-	-	3,851,068	4,653,721
Pupil transportation	3,113,269	3,038,457	-	-	3,113,269	3,038,457
Student activities	1,327,617	1,068,667	-	-	1,327,617	1,068,667
Community services	6,282	8,482	-	-	6,282	8,482
Interest on long-term debt	3,523,630	3,559,448	-	-	3,523,630	3,559,448
Food service	-	-	1,905,776	1,633,886	1,905,776	1,633,886
Loss on disposition of capital assets	-	1,746,463	-	-	-	1,746,463
<b>Total expenses</b>	<b>74,958,314</b>	<b>70,180,899</b>	<b>1,905,776</b>	<b>1,633,886</b>	<b>76,864,090</b>	<b>71,814,785</b>
<b>Changes in net position</b>	<b>\$ (7,608,005)</b>	<b>\$ (4,562,508)</b>	<b>\$ (121,968)</b>	<b>\$ 191,862</b>	<b>\$ (7,729,973)</b>	<b>\$ (4,370,646)</b>

The District's 2021 governmental revenues, excluding business-type activity transfers, increased by 2.64% or \$1,731,918. Reasons for the increase are primarily attributed to the following changes:

- Real estate taxes collected increased by 2.63% or \$792,141 as a result of new construction in the District and an increased collection percentage.
- Other tax revenues increased overall by 2.58% or \$166,077. This category includes earned income, real estate transfer taxes, public utility and delinquent earned income taxes. The change mainly arose from an increase in real estate transfer tax of \$147,552 or 26.86%.
- Operating grants and contributions increased by 14.39%, or \$1,977,920. This area includes special education funding, social security, retirement, transportation, debt service, reimbursement for foster students, vocational education, IDEA, title programs, federal access funding and COVID relief funding. This increase is mainly due to the \$1.1 million in Federal COVID relief funding that the district received in the 2020-2021 school year. The District received \$718,046 in Elementary and Secondary School Emergency Relief Fund (ESSER), \$76,554 in Governor's Emergency Education Relief Fund (GEER) and \$367,906 from the Pennsylvania Commission on Crime and Delinquency (PCCD). Other increases include additional debt subsidy of \$83,154, an increase in state social security subsidy of \$232,445, and increase in retirement subsidy of \$141,324, and an increase in transportation subsidy of \$161,244.
- Charges for services increased by 1.40% or \$4,774. These services include revenue received from other school districts for mainstreaming children placed in private homes, rental of school facilities, shared costs for transportation of foster and homeless students and admission revenues.
- Grants, subsidies and contributions (non-restricted) decreased by 2.37% or \$322,371 due to a decrease in PCCD grants in regards to school safety in the amount of \$352,561.

**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

- Investment earnings decreased by 82.57% or \$1,082,091 due to the weak economy as a result of the pandemic.
- Gain on disposition of capital assets increased by \$213,394 due to the sale of Kralltown Elementary.

Property taxes contributed 45.96% of total revenues for governmental activities during fiscal year 2020-2021. Other major contributors to revenue include unrestricted grants, subsidies and contributions at 19.71%; operating grants and contributions at 23.34%; and other taxes levied at 9.8%. Property taxes, as a percentage of total revenues, are mainly consistent with prior year.

Governmental program expenditures increased by 6.81% from \$70.18 million to approximately \$74.96 million. Major changes in expenditures can be primarily attributed to the following:

- Total annual wages increased overall by 1.50% or \$395,344. This is the net change from annual contract increases across the district for all personnel. The District also saw a large increase in substitute charges of 56.32% or \$179,310. This increase was a direct impact of the pandemic and quarantining of staff members.
- The PSERS employer contribution rate for employee retirement increased, changing from 34.29% in 2019-2020 to 34.51% in 2020-2021. Retirement expense increased by 1.60% or \$142,471 as wages increased. Retirement expense was 33.98% of total wages.
- Total group insurance expenses increased by 39.88%; which was comprised of a medical insurance increase of 37.38% or \$1,585,452, and a dental insurance increase of 2.50% or \$5,077. The medical insurance increase is the net change from plan changes, enrollment changes and retirements. The District experienced a significant increase in medical claims from the 2019-2020 school year to 2020-2021 and had a zero percent premium increase. Also, the District took one funding holiday in 2020-2021.
- Professional and Technical Services overall decreased by 8.34% or \$436,372. This decrease is in part due to a large reduction of students receiving speech and language services, along with a large drop in the number of therapeutic emotional support students serviced via the Lincoln Intermediate Unit, resulting in a savings of \$174,969. The District also saw a decrease of \$209,110 in technical services due to a reduction of outside contractors needed to install and monitor technology related services from the construction of the new high school.
- Supplies and instructional materials increased by 53.27% or \$1,407,752 mainly due to the purchase of PPE supplies, cleaning supplies and equipment as a result of the pandemic. This increase was offset by additional federal dollar that were received by COVID Relief Funding.
- Debt service payments increased by \$492,572 due to not making a planned transfer from the capital reserve to cover debt service payments for the high school.
- Other purchased services increased 53.27% or \$1,407,752 as a result of increased charter tuition costs and a significant increase in student enrollment of \$1,105,197 or 57.19%; increased tuition to PRRI's of \$195,400 or 29.82%; and an increase of \$116,652 or 4.38% in transportation services.
- Property and equipment expenses decreased by \$412,159 due to the technology refresh cycle for staff and students and the methodology of the recognition of proceeds and capital expenditures as required by GASB Statement No. 34 that occurred in the 2019-2020 school year. Also there was a reduction of \$352,561 in school safety grant purchases that were used for new cameras at each elementary buildings.

**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

The Statement of Activities reflects the costs of program services and the charges for services, sales, grants and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and net cost of services:

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	\$ 51,442,837	\$ 44,920,894	\$ 39,276,726	\$ 34,338,772
Instructional student support	6,241,642	5,898,545	5,513,193	5,161,351
Administrative financial services	5,451,969	5,286,222	4,717,802	4,598,522
Operation and maintenance of plant services	3,851,068	4,653,721	3,300,241	4,270,791
Pupil transportation	3,113,269	3,038,457	1,504,678	1,593,469
Student activities	1,327,617	1,068,667	1,049,349	819,882
Community	6,282	8,482	6,282	8,482
Interest on long-term debt	3,523,630	3,559,448	3,523,630	3,559,448
<b>Total expenses</b>	<b>\$ 74,958,314</b>	<b>\$ 68,434,436</b>	<b>\$ 58,891,901</b>	<b>\$ 54,350,717</b>

Instructional costs contributed to 76.96% of total program expenses for governmental activities in fiscal year 2020-2021.

Only 21.43% of the 2020-2021 total cost of services for the governmental activities was funded by charges for services and operating grants and contributions. The remaining costs were funded by tax revenues and the basic instructional subsidy.

*Business-Type Activity*

The only business-type activity at Dover Area School District is the Food Service Operation. The District provides both breakfast and lunch programs for grades K through 12. This program had operating revenues of \$22,603 and non-operating revenue of \$1,761,205. Total expenses were \$1,905,776 for the fiscal year 2020-2021. The District received 97.84% of its revenues from operating grants and contributions from the Federal and state reimbursable breakfast and lunch programs. Revenue from state and Federal grants increased by \$473,864 due to the Federal waiver of free and reduced meal participation requirements. For the fiscal year 2020-2021, all students could receive a free breakfast and free lunch regardless of household income. Total revenues decreased by 2.30% or \$41,940, while expenditures increased by 16.64% or \$271,890. Total net position decreased by \$121,968 to provide an ending net deficit of \$(732,248) on June 30, 2021.

**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

**General Fund Budgeting Highlights**

For the 2020-2021 fiscal year, total General Fund local sourced revenue exceeded budget by \$1,511,662. The state funded revenue exceeded budget by 1.89% or \$482,111 and Federal revenue exceeded budget by 71.94% or \$857,920 due to COVID Relief Funding that was not budgeted.

Total General Fund expenditures, net transfers to other funds, were over budget by \$2,839,836. The budgetary reserve of \$100,000 was used to cover the increased cost in cyber/charter school. Other significant expenditure-budget variances are discussed below.

- Special Education program expenditures were under the original budget by \$36,531. This program was \$311,925 underbudget in salaries due to unfilled positions and \$219,346 underbudget in other professional services due to reduction in services from the LIU. However, there was a significant increase in expenditures in special education to cyber charter school due to rate increases and increase enrollment. That line item was \$559,933 overbudget.
- Regular Education Program expenditures were over original budget by 13.16% or \$3,389,574 due to increased medical claims, increases in enrollment and rates to cyber/charter schools and additional COVID related supplies.
- Vocational Education Program expenditures were under original budget by 1.66% or \$56,080 due to an unratified teacher contract.
- Other instructional program expenditures were under budget by \$95,888, due to a reduction in alternative education placements.
- Support Services for Instructional Staff expenditures were under original budget by \$905,195 or 10.02% due to 1:1 technology initiative, lease recognition requirements as stated by GASB Statement No. 34, and reclassification of our librarians to technology coaches.
- Operation and maintenance of plant services were under original budget by 10.71% or \$564,922 due to unfilled custodian positions and the timing of the re-keying of Leib and North Salem Elementary schools.
- Student Transportation Services were under original budget by 12.61% or \$447,329 due to the reduction of in-person school days caused by the pandemic.
- Other expenditures and financing uses was over budget by \$1,615,239 due to not making a planned transfer from the capital reserve to cover debt service payments for the high school.
- Athletic Program costs were budgeted and reflected in Student Activities as required by GASB No. 54. Student Activities were under budget by 7.56% or \$100,669 mainly due to pandemic school closures and quarantines, which resulted in a reduction of sporting events and field trips.

**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

**Capital Assets**

Table 4  
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 170,000	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ 170,000
Construction-in-progress	24,386	58,937,792	-	-	24,386	58,937,792
Building and building improvements	97,828,716	30,633,314	-	-	97,828,716	30,633,314
Furniture and equipment	1,916,740	2,094,175	85,539	95,519	2,002,279	2,189,694
<b>Total capital assets</b>	<b>\$ 99,939,842</b>	<b>\$ 91,835,281</b>	<b>\$ 85,539</b>	<b>\$ 95,519</b>	<b>\$ 100,025,381</b>	<b>\$ 91,930,800</b>

Total Governmental Capital Assets increased by 8.83% or \$8,104,561 as this represents a full year of depreciation, equipment additions and disposals and additional construction-in-progress for the high school and middle school projects.

**Debt**

At June 30, 2021, the Dover Area School District had \$87,717,000 in bonds outstanding. Table 5 summarizes and compares bonds outstanding for the 2021 and 2020 fiscal years:

Table 5  
Bonds Outstanding

General Obligation Debt	2021	2020
Note Series of 2008	\$ 11,467,000	\$ 11,974,000
Bond Series of 2016	-	2,635,000
Bond Series of 2018	29,190,000	29,195,000
Bond Series of 2019	35,075,000	35,080,000
Bond Series of 2019A	11,985,000	12,830,000
<b>Total Outstanding Debt</b>	<b>\$ 87,717,000</b>	<b>\$ 91,714,000</b>

Total outstanding debt decreased by \$3,997,000 due to the repayment of principal on 2016 debt along with regular payments on the existing debt portfolio.

**DOVER AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended June 30, 2021**

**Economic Impact**

The Dover Area School District has investments at Wells Fargo Bank, M&T Bank and the Pennsylvania School District Liquid Asset Fund. The Federal Deposit Insurance Corporation (FDIC) insures the bank account balances, and additional protection of investments is guaranteed through Act 72 of 1971. Act 72 requires banks to provide securities as collateral for all public balances on deposit. The Pennsylvania School District Liquid Asset Fund (PSDLAF) provides collateral segregated at a third-party institution or guaranteed by the Federal Home Loan Bank Letter-of-Credit. The PSDLAF collateral is monitored daily at 102.00% of market value at the close of business.

The Public School Employees' Retirement System certified rates of 30.03% for 2016-2017, 32.57% for 2017-2018, 33.43% for 2018-2019, 34.29% for 2019-2020, 34.51% for 2020-2021 and 34.94% for 2021-2022. Future projections are inclined to reach nearly 37.83% over the next five years. To prepare for future rate increases, the District has committed fund balance of approximately \$5.1 million as of June 30, 2021.

The Commonwealth of Pennsylvania provided an increase in the annual basic educational subsidy and special education. Continued reductions or fluctuations in state subsidies, PSERS increases and the possibility of new unfunded mandates are matters of concern for the District.

**Governmental Funds - Fund Balance**

The focus of the District's governmental funds is to provide information on relatively short-term cash flows and future basic services. Such information is useful in assessing the Dover Area 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 year.

As of June 30, 2021, the Dover Area School District reported total governmental funds ending fund balance approximating \$27.62 million. Fund balance classifications are as follows: Nonspendable - \$4,066,269; Restricted - \$9,629,976; Committed - \$9,756,302; and Unassigned - \$4,169,989.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Dover Area School District's original budget anticipated revenues at \$64,345,653 and expenditures and net other financing sources of \$67,127,506. The District's 2021 actual results were revenues in excess of budget by approximately \$3.06 million, and expenses in excess of budget by \$2.74 million.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional information, please contact Matthew I. Ulmer, Chief Financial & Operations Officer, at (717) 292-3671, Ext. 80206, email [mulmer@doversd.org](mailto:mulmer@doversd.org) or by mail at the Dover Area School District, 101 Edgeway Road, Dover, PA 17315.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 19,944,519	\$ 540,762	\$ 20,485,281
Investments	7,152,175	-	7,152,175
Internal balances	5,494	(5,494)	-
Receivables	5,328,417	451,097	5,779,514
Inventories	-	36,720	36,720
Prepaid expenses	4,066,269	-	4,066,269
Capital assets			
Land and construction-in-progress	194,386	-	194,386
Other capital assets, net of depreciation	99,745,456	85,539	99,830,995
Total capital assets	99,939,842	85,539	100,025,381
<b>Total assets</b>	<b>\$ 136,436,716</b>	<b>\$ 1,108,624</b>	<b>\$ 137,545,340</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 15,661,000	\$ 320,000	\$ 15,981,000
Deferred amounts on OPEB liabilities	1,668,037	22,108	1,690,145
Deferred amounts on refunding debt	46,827	-	46,827
<b>Total deferred outflows of resources</b>	<b>\$ 17,375,864</b>	<b>\$ 342,108</b>	<b>\$ 17,717,972</b>
<b>Liabilities</b>			
Due to other governments	\$ 280,561	\$ -	\$ 280,561
Accounts payable and accrued expenses	8,807,263	80,393	8,887,656
Unearned revenue	-	61,720	61,720
Long-term liabilities			
Due within one year	3,983,837	-	3,983,837
Due in more than one year	93,595,243	10,897	93,606,140
Net pension liability	91,490,000	1,867,000	93,357,000
Other post-employment benefits (OPEB) liabilities	7,152,378	90,575	7,242,953
Total long-term liabilities	196,221,458	1,968,472	198,189,930
<b>Total liabilities</b>	<b>\$ 205,309,282</b>	<b>\$ 2,110,585</b>	<b>\$ 207,419,867</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 2,389,000	\$ 49,000	\$ 2,438,000
Deferred amounts on OPEB liabilities	2,234,315	23,395	2,257,710
<b>Total deferred inflows of resources</b>	<b>\$ 4,623,315</b>	<b>\$ 72,395</b>	<b>\$ 4,695,710</b>
<b>Net Position (Deficit)</b>			
Net investment in capital assets	\$ 4,092,864	\$ 85,539	\$ 4,178,403
Restricted	9,629,976	-	9,629,976
Unrestricted	(69,842,857)	(817,787)	(70,660,644)
<b>Total net deficit</b>	<b>\$ (56,120,017)</b>	<b>\$ (732,248)</b>	<b>\$ (56,852,265)</b>

See Notes to Financial Statements.

**DOVER AREA SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities:</b>						
Instruction	\$ 51,442,837	\$ 209,751	\$ 11,956,360	\$ (39,276,726)	\$ -	\$ (39,276,726)
Instructional student support	6,241,642	-	728,449	(5,513,193)	-	(5,513,193)
Administrative and financial services	5,451,969	-	734,167	(4,717,802)	-	(4,717,802)
Operation and maintenance of plant services	3,851,068	-	550,827	(3,300,241)	-	(3,300,241)
Pupil transportation	3,113,269	17,271	1,591,320	(1,504,678)	-	(1,504,678)
Student activities	1,327,617	118,001	160,267	(1,049,349)	-	(1,049,349)
Community services	6,282	-	-	(6,282)	-	(6,282)
Interest on long-term debt	3,523,630	-	-	(3,523,630)	-	(3,523,630)
<b>Total governmental activities</b>	<b>74,958,314</b>	<b>345,023</b>	<b>15,721,390</b>	<b>(58,891,901)</b>	<b>-</b>	<b>(58,891,901)</b>
<b>Business-Type Activities:</b>						
Food service	1,905,776	22,603	1,745,226	-	(137,947)	(137,947)
<b>Total primary government</b>	<b>\$ 76,864,090</b>	<b>\$ 367,626</b>	<b>\$ 17,466,616</b>	<b>\$ (58,891,901)</b>	<b>\$ (137,947)</b>	<b>\$ (59,029,848)</b>
<b>General Revenues and Transfers:</b>						
Property taxes, levied for general purposes, net				\$ 30,953,990	\$ -	\$ 30,953,990
Public utility, realty transfer, earned income and other taxes for general purposes, net				6,599,561	-	6,599,561
Grants, subsidies and contributions not restricted				13,275,232	-	13,275,232
Investment earnings				228,376	62	228,438
Miscellaneous income				29,260	-	29,260
Transfers				(15,917)	15,917	-
Gain on disposition of capital assets				213,394	-	213,394
<b>Total general revenues and transfers</b>				<b>51,283,896</b>	<b>15,979</b>	<b>51,299,875</b>
<b>Changes in net deficit</b>				<b>(7,608,005)</b>	<b>(121,968)</b>	<b>(7,729,973)</b>
<b>Net Deficit - July 1, 2020</b>				<b>(48,636,701)</b>	<b>(610,280)</b>	<b>(49,246,981)</b>
<b>Prior period adjustment (see Note 1)</b>				<b>124,689</b>	<b>-</b>	<b>124,689</b>
<b>Net Deficit - July 1, 2020 (restated)</b>				<b>(48,512,012)</b>	<b>(610,280)</b>	<b>(49,122,292)</b>
<b>Net Deficit - June 30, 2021</b>				<b>\$ (56,120,017)</b>	<b>\$ (732,248)</b>	<b>\$ (56,852,265)</b>

See Notes to Financial Statements.



**DOVER AREA SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2021**

	General Fund	Capital Projects Fund	Student Sponsored Activity Fund	Totals Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 11,591,746	\$ 8,248,812	\$ 103,961	\$ 19,944,519
Investments	5,177,175	1,975,000	-	7,152,175
Due from other funds	6,116	-	-	6,116
Due from other governments	3,320,017	-	-	3,320,017
Taxes receivable	1,955,643	-	-	1,955,643
Other receivables	52,757	-	-	52,757
Prepaid expenses	4,066,269	-	-	4,066,269
<b>Total assets</b>	<b>\$ 26,169,723</b>	<b>\$ 10,223,812</b>	<b>\$ 103,961</b>	<b>\$ 36,497,496</b>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 622	\$ 622
Due to other governments	280,561	-	-	280,561
Accounts payable	734,408	693,379	3,796	1,431,583
Accrued salaries and benefits	3,882,202	-	-	3,882,202
Payroll deductions and withholdings	2,733,551	-	-	2,733,551
<b>Total liabilities</b>	<b>7,630,722</b>	<b>693,379</b>	<b>4,418</b>	<b>8,328,519</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	546,441	-	-	546,441
<b>Fund Balances</b>				
Nonspendable	4,066,269	-	-	4,066,269
Restricted	-	9,530,433	99,543	9,629,976
Committed	9,756,302	-	-	9,756,302
Unassigned	4,169,989	-	-	4,169,989
<b>Total fund balances</b>	<b>17,992,560</b>	<b>9,530,433</b>	<b>99,543</b>	<b>27,622,536</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,169,723</b>	<b>\$ 10,223,812</b>	<b>\$ 103,961</b>	<b>\$ 36,497,496</b>

See Notes to Financial Statements.

**DOVER AREA SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2021**

<b>Total fund balances - governmental funds</b>	\$ 27,622,536
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital Assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in governmental funds. The cost of assets is \$171,114,993, and the accumulated depreciation is \$71,175,151.</p>	99,939,842
<p>Property taxes and earned income 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 inflows of resources in the funds.</p>	546,441
<p>The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.</p>	46,827
<p>Deferred inflows and outflows of resources related to pensions are applicable to future periods, and therefore, are not reported within the funds. Deferred inflows and outflows related to the pension are as follows (see footnotes for detail):</p>	
Deferred outflows	15,661,000
Deferred inflows	(2,389,000)
<p>Deferred inflows and outflows of 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 footnotes for detail):</p>	
Deferred outflows	1,668,037
Deferred inflows	(2,234,315)
<p>Long-term liabilities; including bonds payable, lease-purchase obligations, net pension liability, accrued compensated absences and other post-employment benefits; 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:</p>	
Bonds payable, net of related discounts and premiums	(95,408,519)
Accrued interest payable	(759,927)
Lease-purchase obligation	(485,286)
Net pension liability	(91,490,000)
OPEB liabilities	(7,152,378)
Accrued compensated absences	(1,685,275)
	(196,981,385)
<b>Total net deficit - governmental activities</b>	<b>\$ (56,120,017)</b>

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Student Sponsored Activity Fund	Totals Governmental Funds
<b>Revenues</b>				
Local sources	\$ 39,103,977	\$ 3,767	\$ 59,885	\$ 39,167,629
State sources	26,042,842	-	-	26,042,842
Federal sources	2,050,527	-	-	2,050,527
<b>Total revenues</b>	<b>67,197,346</b>	<b>3,767</b>	<b>59,885</b>	<b>67,260,998</b>
<b>Expenditures</b>				
Current:				
Instruction	43,101,500	841,362	-	43,942,862
Support services	17,804,030	464,115	-	18,268,145
Operation of non-instructional services	1,237,113	-	82,298	1,319,411
Refunds of prior years' receipts	1,327	-	-	1,327
<b>Total Current</b>	<b>62,143,970</b>	<b>1,305,477</b>	<b>82,298</b>	<b>63,531,745</b>
Capital outlay	-	12,982,361	-	12,982,361
Debt service	6,834,508	1,529,952	-	8,364,460
<b>Total expenditures</b>	<b>68,978,478</b>	<b>15,817,790</b>	<b>82,298</b>	<b>84,878,566</b>
<b>Deficiency of revenues under expenditures</b>	<b>(1,781,132)</b>	<b>(15,814,023)</b>	<b>(22,413)</b>	<b>(17,617,568)</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	2,733	872,947	-	875,680
Interfund transfers out	(888,864)	-	(2,733)	(891,597)
Proceeds from sale of capital assets	213,840	-	-	213,840
<b>Total other financing sources (uses)</b>	<b>(672,291)</b>	<b>872,947</b>	<b>(2,733)</b>	<b>197,923</b>
<b>Net changes in fund balances</b>	<b>(2,453,423)</b>	<b>(14,941,076)</b>	<b>(25,146)</b>	<b>(17,419,645)</b>
Fund Balances - July 1, 2020	20,445,983	24,471,509	-	44,917,492
Prior period adjustment (see Note 1)	-	-	124,689	124,689
Fund Balances - July 1, 2020 (restated)	20,445,983	24,471,509	124,689	45,042,181
Fund Balances - June 30, 2021	\$ 17,992,560	\$ 9,530,433	\$ 99,543	\$ 27,622,536

See Notes to Financial Statements.

**DOVER 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, 2021**

<b>Net changes in fund balances - governmental funds</b>	<b>\$ (17,419,645)</b>
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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 costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeds the depreciation expense and net book value of disposed assets in the period.

Capital outlays	15,233,834	
Less net book value of disposed assets	(446)	
Less depreciation expense	(7,128,827)	8,104,561

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 inflows of resources decreased by this amount this year. (108,164)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest costs in the Statement of Activities over the amount due is shown here. 19,198

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)	9,075,000
Cost of benefits earned net of employee contributions (PSERS)	(11,527,300)

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	(229,995)
Change in other post-employment benefits (District's plan)	(343,291)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	3,997,000	
Repayment of lease-purchase obligation	452,951	
Amortization of charges for bond refunding	(35,029)	
Amortization of bond premiums and discounts - net	615,925	
Change in pay-variable, interest-rate swap liability	(209,216)	4,821,631

<b>Changes in net deficit of governmental activities</b>	<b>\$ (7,608,005)</b>
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See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 Year Ended June 30, 2021

	General Fund			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 37,592,315	\$ 37,592,315	\$ 39,103,977	\$ 1,511,662
State sources	25,560,731	25,560,731	26,042,842	482,111
Federal sources	1,192,607	1,192,607	2,050,527	857,920
<b>Total revenues</b>	<b>64,345,653</b>	<b>64,345,653</b>	<b>67,197,346</b>	<b>2,851,693</b>
<b>Expenditures</b>				
Current				
Instruction	39,869,356	39,917,982	43,101,500	(3,183,518)
Support services	19,814,163	19,763,411	17,804,030	1,959,381
Operation of non-instructional services	1,335,854	1,337,980	1,237,113	100,867
Refunds of prior years' receipts	-	-	1,327	(1,327)
Total Current	61,019,373	61,019,373	62,143,970	(1,124,597)
Debt service	6,008,133	6,008,133	6,834,508	(826,375)
<b>Total expenditures</b>	<b>67,027,506</b>	<b>67,027,506</b>	<b>68,978,478</b>	<b>(1,950,972)</b>
<b>Deficiency of revenues under expenditures</b>	<b>(2,681,853)</b>	<b>(2,681,853)</b>	<b>(1,781,132)</b>	<b>900,721</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	-	-	2,733	2,733
Interfund transfers out	-	-	(888,864)	(888,864)
Proceeds from sale of capital assets	-	-	213,840	213,840
Budgetary reserve	(100,000)	(100,000)	-	100,000
<b>Total other financing uses</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(672,291)</b>	<b>(572,291)</b>
<b>Net changes in fund balance</b>	<b>\$ (2,781,853)</b>	<b>\$ (2,781,853)</b>	<b>(2,453,423)</b>	<b>\$ 328,430</b>
Fund Balance - July 1, 2020			20,445,983	
Fund Balance - June 30, 2021			<u>\$ 17,992,560</u>	

See Notes to Financial Statements.

**DOVER AREA SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE**

**June 30, 2021**

<b>Assets</b>	
Cash and cash equivalents	\$ 540,762
Receivables	
Federal sources	431,264
Other	19,833
Inventories	36,720
Other capital assets, net of depreciation	85,539
<b>Total assets</b>	<u><u>\$ 1,114,118</u></u>
<b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	\$ 320,000
Deferred amounts on OPEB liabilities	22,108
<b>Total deferred outflows of resources</b>	<u><u>\$ 342,108</u></u>
<b>Liabilities</b>	
Due to other funds	\$ 5,494
Accounts payable	66,588
Accrued salaries and benefits	13,805
Unearned revenue	61,720
Long-term liabilities	
Net pension liability	1,867,000
OPEB liabilities	90,575
Accrued compensated absences	10,897
Total long-term liabilities	<u>1,968,472</u>
<b>Total liabilities</b>	<u><u>\$ 2,116,079</u></u>
<b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	\$ 49,000
Deferred amounts on OPEB liabilities	23,395
<b>Total deferred outflows of resources</b>	<u><u>\$ 72,395</u></u>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	\$ 85,539
Unrestricted	(817,787)
<b>Total net deficit</b>	<u><u>\$ (732,248)</u></u>

See Notes to Financial Statements.

**DOVER AREA SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUND - FOOD SERVICE**

**Year Ended June 30, 2021**

Operating Revenues	
Food service revenues	\$ 22,603
Operating Expenses	
Salaries	514,939
Employee benefits	332,396
Purchased professional and technical services	57,223
Purchased property services	13,618
Supplies	967,541
Depreciation	14,528
Other operating expenses	5,531
<b>Total operating expenses</b>	<b>1,905,776</b>
<b>Operating loss</b>	<b>(1,883,173)</b>
Nonoperating Revenues	
Investment earnings	62
State sources	105,942
Federal sources	1,639,284
<b>Total nonoperating revenues</b>	<b>1,745,288</b>
<b>Loss before transfers</b>	<b>(137,885)</b>
Interfund Transfers In	15,917
<b>Change in net deficit</b>	<b>(121,968)</b>
Net Deficit - July 1, 2020	(610,280)
Net Deficit - June 30, 2021	\$ (732,248)

See Notes to Financial Statements.

**DOVER AREA SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE**  
**Year Ended June 30, 2021**

<hr/>	
Cash Flows From Operating Activities	
Cash received from users	\$ 51,204
Cash payments to employees for services	(781,650)
Cash payments to suppliers for goods and services	(908,644)
Cash payments for other operating expenses	(5,531)
<b>Net cash used in operating activities</b>	<u>(1,644,621)</u>
Cash Flows From Noncapital Financing Activities	
State sources	105,942
Federal sources	1,280,846
Transfers	15,917
<b>Net cash provided by noncapital financing activities</b>	<u>1,402,705</u>
Cash Flows From Capital and Related Financing Activities	
<b>Capital outlay</b>	<u>(4,548)</u>
Cash Flows From Investing Activities	
<b>Investment earnings</b>	<u>62</u>
<b>Net change in cash and cash equivalents</b>	(246,402)
Cash and Cash Equivalents:	
July 1, 2020	787,164
June 30, 2021	<u>\$ 540,762</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (1,883,173)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	14,528
Value of donated commodities	98,410
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	24,390
Inventories	(24,709)
Deferred outflows of resources	(46,180)
(Decrease) increase in:	
Accounts payable	56,037
Accrued salaries and benefits	7,040
Internal balances	4,654
Unearned revenue	4,211
Accrued compensated absences	637
Net pension liability	119,000
OPEB liabilities	(17,718)
Deferred inflows of resources	(1,748)
<b>Net cash used in operating activities</b>	<u>\$ (1,644,621)</u>

See Notes to Financial Statements.



# DOVER AREA SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies**

Dover Area School District (the District) operates a Public School system that encompasses three municipalities in York County. The District operates four elementary schools, one middle school and one high school. 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 governing body of the District is comprised of a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. Funding for the District is received from local, Commonwealth and Federal sources and must comply with the requirements of the various funding-source agencies.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the School District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable 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**

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units that are required to be included in this presentation.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### **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. The significant effects of interfund activity have 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, are 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 revenue are reported instead as general revenues.

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

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

The 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 and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when related liabilities are 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 (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) is 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 an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### 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 tax 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 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 payments are due.

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the District's policy to generally use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed. However, the District does use unassigned monies at times to pay for expenditures that may have been Board committed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisitions, uses and balances of the 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 funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food service program.

The Student Sponsored Activity Fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement No. 84 *Fiduciary Activities*.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food service program. 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 District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, 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 District does not attempt to allocate "building-wide costs" to the Food Service 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; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

##### D. Budget and Budgetary Accounting

The Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The General Fund is the only fund that has an annual budget that has been legally adopted by the Board. The Board does not legally adopt the Food Service Fund budget; however, the budget is approved by the Board. The Public School Code allows the Board to authorize budget-transfer amendments during the last nine months of each fiscal year.

The District may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies. Amendments require Board approval. All appropriations lapse at the end of each fiscal year.

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

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three month or less, when purchased, to be cash equivalents.

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

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

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2021. The inventory consisted of government-donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the FIFO method.

# DOVER AREA SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

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

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

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 in accordance with board policy at the discretion of management. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs and the extents to which the assets are part of larger capital projects. Established procedures state that capital assets are defined as individual assets with costs greater than \$4,000, and estimated useful lives in excess of one year. The costs of normal maintenance and repairs that do not add to the values of assets or materially extend assets' useful lives are not capitalized.

Depreciation is provided for capital assets on the straight-line basis over the following estimated useful lives of the assets or groups of assets as determined by management:

	Estimated Lives (in years)	
	Governmental Activities	Business-Type Activities
Land improvements	20	N/A
Buildings and improvements	15 - 20	N/A
Machinery and equipment	5 - 20	5 - 25

Deferred Outflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow which is recognized as 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, the 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 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, 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.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-Term Obligations: In the government-wide financial statements and proprietary-fund type 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 column in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds. Bonds payable are reported inclusive of or net of applicable bond premiums or discounts, respectively.

In the fund financial statements, governmental-fund types recognize bond premiums and discounts 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.

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues employee benefits, such as unpaid personal leave and sick pay. Calculations of these amounts are determined by the appropriate personal, sick and retirement lump-sum payments which would be available to employees if they would leave or retire from the District and the calculations are adjusted for expected turnover rates of employees.

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.

Other 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. The District participates in two plans, the first is a single employer plan administered by the District. The Plan provides retiree health, vision, dental care and prescription drug benefits for eligible retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation. The single employer OPEB plan is unfunded.

The District also participates in a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) with the Public School Employees' Retirement System (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 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.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

Other Post-Employment Benefits (Continued): The balance of the District’s OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2021, are as follows:

	Governmental Activities	Business-Type Activities	Total
<b>OPEB Liabilities</b>			
District's Single Employer Plan	\$ 3,122,378	\$ 8,575	\$ 3,130,953
PSERS Cost-Sharing Plan	4,030,000	82,000	4,112,000
Total	\$ 7,152,378	\$ 90,575	\$ 7,242,953
<b>Deferred Outflows of Resources</b>			
District's Single Employer Plan	\$ 1,052,937	\$ 9,508	\$ 1,062,445
PSERS Cost-Sharing Plan	615,100	12,600	627,700
Total	\$ 1,668,037	\$ 22,108	\$ 1,690,145
<b>Deferred Inflows of Resources</b>			
District's Single Employer Plan	\$ 2,126,515	\$ 21,195	\$ 2,147,710
PSERS Cost-Sharing Plan	107,800	2,200	110,000
Total	\$ 2,234,315	\$ 23,395	\$ 2,257,710

Additional disclosures related to other post-employment benefits of the District’s Single Employer Plan and PSERS Cost-Sharing Plan are in Notes 10 and 11, respectively.

Interfund Activity: 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. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

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

Deferred Inflows of Resources - Pensions: The District recognizes 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.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the differences between expected and actual experience, changes in assumptions and changes in proportion as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. GASB Statement No. 54 provides additional guidance on the classification within the Net Position section of amounts that have been encumbered. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements. As of June 30, 2021, the District had no encumbrances.

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

Nonspendable: 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 purposes 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 a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's Director of Administration or the Budget and Finance Committee.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes 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% and not more than 8% of the budgeted expenditures for that year. When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the District will reduce the committed balance first, followed by the assigned balance and then the unassigned balance.



## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Restatement of Net Position and Fund Balance Beginning Balances: As of July 1, 2020, the District implemented Governmental Accounting Standards Board Statement GASB No. 84, *Fiduciary Activities*. The implementation of GASB No. 84 required the District to report student sponsored activities, previously reported as an agency fund in the fiduciary funds financial statements, as a special revenue fund in the governmental funds financial statements. This change has resulted in a restatement of government-wide net position and governmental fund balance of \$124,689.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 12, 2022, the date the financial statements were available to be issued. See Note 17.

# DOVER AREA SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the 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 its 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
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the 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 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. A summary of the District's deposits at June 30, 2021, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 2,471,000	\$ 2,471,000	Various Bank CDs

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 pledgers of the assets.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments (Continued)

##### Investments

As of June 30, 2021, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
<hr/>			
Pennsylvania School District Liquid Asset Fund			
PSDMAX	AAAm	0.148	\$ 20,485,280
PSDLAF Full Flex Pool	NA	Various	4,681,175
			<hr/> <hr/>
			\$ 25,166,455

##### Portfolio Assets

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.

The PSDLAF Full Flex Pool, as part of the Fixed Term Series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series, however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of Deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the Certificate of Deposit and the third party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank. At present, The Bank of New York serves as the third-party custodian with respect to all such collateralized Certificates of Deposit. Permitted Investments (other than certificates of deposit) such as U.S. Treasury or Agency securities in which monies in which a Fixed Term Series are invested are registered in the name or names of the Settlor or Settlers for which the Fixed Term Series was created, and the security is held in custody by a third party custodian pursuant to a custody agreement between the Investment Adviser and the third party custodian. At present, U.S. Bank National Association, Minneapolis, Minnesota serves as the third-party custodian with respect to all such securities.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### **Note 2. Deposits and Investments (Continued)**

##### Portfolio Assets (Continued)

The District reports these nonparticipating contracts, as nonnegotiable Certificates of Deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 currently held by the District are valued at amortized cost and are not subject to the fair value categorization 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 investments are entirely held with PSDLAF.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 3. Taxes Receivable and Deferred Inflows of Resources**

Summaries of taxes receivable and related accounts of the General Fund at June 30, 2021, are as follows:

	Amount
Taxes Receivable - Net	\$ 1,955,643
Taxes to be collected within 60 days	\$ 1,409,202
Deferred inflows of resources - delinquent property taxes	546,441
	\$ 1,955,643

**Note 4. Property Taxes**

Based upon assessed valuations provided by York County, the municipal tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2020-2021, is as follows:

July 1, 2020	Tax-Levy Date
Through September 15, 2020	2% Discount
Through November 15, 2020	Face-Payment Period
November 15, 2020	10%-Penalty Period
January 1, 2021	Lien-Filing Date

The District's tax rate for all purposes in 2020-2021, was 22.913 mills (\$22.913 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania Accounting System.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 5. Interfund Balances and Interfund Transfers**

Individual fund receivable and payable balances at June 30, 2021, are as follows:

	Interfund Receivables	Interfund Payables
<b>Governmental Fund</b>		
General	\$ 6,116	\$ -
Student sponsored activity	-	622
<b>Proprietary Fund</b>		
Food service	-	5,494
	<u>\$ 6,116</u>	<u>\$ 6,116</u>

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or reimbursable expenditures were incurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

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

	Transfers In	Transfers Out
<b>Governmental Funds</b>		
General	\$ 2,733	\$ 888,864
Capital projects	872,947	-
Student sponsored activity	-	2,733
<b>Proprietary Fund</b>		
Food service	15,917	-
	<u>\$ 891,597</u>	<u>\$ 891,597</u>

Transfers and payments within the District are substantially for purposes or subsidizing operating functions or funding routine capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administrations of various projects or programs.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 6. Capital Assets**

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

	July 1, 2020	Increases	Decreases	June 30, 2021
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 170,000	\$ -	\$ -	\$ 170,000
Construction-in-progress	58,937,792	24,386	(58,937,792)	24,386
Total Capital assets not being depreciated	59,107,792	24,386	(58,937,792)	194,386
Capital assets being depreciated				
Buildings and building improvements	91,513,939	73,284,832	(1,326,746)	163,472,025
Furniture and equipment	10,187,277	862,408	(3,601,103)	7,448,582
Total capital assets being depreciated	101,701,216	74,147,240	(4,927,849)	170,920,607
Less accumulated depreciation				
Buildings and building improvements	60,880,625	6,089,430	(1,326,746)	65,643,309
Furniture and equipment	8,093,102	1,039,397	(3,600,657)	5,531,842
Total accumulated depreciation	68,973,727	7,128,827	(4,927,403)	71,175,151
Total capital assets being depreciated, net	32,727,489	67,018,413	(446)	99,745,456
Total Governmental Activities, Capital Assets - Net	\$ 91,835,281	\$ 67,042,799	\$ (58,938,238)	\$ 99,939,842
<b>Business-Type Activities:</b>				
Capital assets being depreciated				
Equipment	\$ 342,401	\$ 4,548	\$ -	\$ 346,949
Less accumulated depreciation for equipment	246,882	14,528	-	261,410
Total Business-Type Activities, Capital Assets - Net	\$ 95,519	\$ (9,980)	\$ -	\$ 85,539

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 6. Capital Assets (Continued)**

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

	Amount
Governmental Activities:	
Instruction	\$ 5,375,349
Instructional student support	592,403
Administrative and financial support	653,491
Operation and maintenance of plant services	353,545
Pupil transportation	11,383
Student activities	142,656
Total Governmental Activities	<u>7,128,827</u>
Business-Type Activities:	
Food service	14,528
Total Primary Government	<u><u>\$ 7,143,355</u></u>



## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

#### Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2021, and transactions during the year then ended follows:

	July 1, 2020	Increases	Decreases	June 30, 2021	Due within one year
<b>Governmental Activities</b>					
Bonds and notes payable:					
Series of 2008	\$ 11,974,000	\$ -	\$ 507,000	\$ 11,467,000	\$ 2,721,000
Series of 2016	2,635,000	-	2,635,000	-	-
Series of 2018	29,195,000	-	5,000	29,190,000	5,000
Series of 2019	35,080,000	-	5,000	35,075,000	5,000
Series of 2019A	12,830,000	-	845,000	11,985,000	730,000
Net premium on bonds	8,307,444	-	615,925	7,691,519	-
Total bonds and notes payable	100,021,444	-	4,612,925	95,408,519	3,461,000
Compensated absences	1,455,280	357,457	127,462	1,685,275	80,412
Lease-purchase obligation	938,237	-	452,951	485,286	442,425
<b>Total governmental activities long-term liabilities</b>	<b>\$ 102,414,961</b>	<b>\$ 357,457</b>	<b>\$ 5,193,338</b>	<b>\$ 97,579,080</b>	<b>\$ 3,983,837</b>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 10,260	\$ 637	\$ -	\$ 10,897	\$ -
<b>Total business-Type Activities long-term liabilities</b>	<b>\$ 10,260</b>	<b>\$ 637</b>	<b>\$ -</b>	<b>\$ 10,897</b>	<b>\$ -</b>

#### Bonds and Notes Payable

General Obligation Notes - Series of 2008 - On December 30, 2008, the District issued General Obligation Notes - 2008 Series A-1 and A-2 in the total principal amount of \$15,000,000. The proceeds of the notes were used to finance capital additions and renovations to elementary school buildings, and to pay for the costs of issuance. Interest is payable monthly with a maximum interest rate of 15.00%. At settlement, the District exercised a fixed rate conversion feature for \$7,500,000 of these variable rate notes to a fixed rate of 3.245%. Principal payments are paid annually through 2025, and range between \$5,000 and \$3,016,000. At June 30, 2021, the fixed and variable portions of this debt were \$6,240,000 and \$5,991,000, respectively. The notes bear interest at a variable rate which is determined weekly by the remarketing agent.

General Obligation Bond - Series of 2016 - On November 15, 2016, the District issued General Obligation Bond - Series of 2016 in the principal amount of \$9,355,000. The proceeds of the bond are being used to refund the General Obligation Bonds - Series A of 2011, and to pay for the costs of issuance. The economic gain on the refunding of the 2011A bonds was \$257,388. The bond bears a fixed interest rate ranging from 1.07% to 4.00%, payable semi-annually. The bond matures serially in amounts ranging from \$1,705,000 to \$2,635,000 through 2021. This obligation was paid in full during the year ended June 30, 2021.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 7. Long-Term Obligations (Continued)

General Obligation Bond - Series of 2018 - On June 26, 2018, the District issued General Obligation Bond - Series of 2018 in the principal amount of \$29,205,000. The proceeds of the bond are being used for acquisition, design, construction and furnishing of alterations, additions, renovations and improvements to the High School and Intermediate School building of the District; financing various other capital projects; and to pay for the costs of issuance. The bond bears a fixed interest rate ranging from 1.70% to 5.00%, payable semi-annually. The bond matures serially in amounts ranging from \$5,000 to \$3,070,000 through 2039.

General Obligation Bond - Series of 2019 - On March 28, 2019, the District issued General Obligation Bond - Series of 2019 in the principal amount of \$35,085,000. The proceeds of the bond are being used for acquisition, design, construction and furnishing of alterations, additions, renovations and improvements to the High School and Intermediate School building of the District; financing various other capital projects; and to pay for the cost of issuance. The bond bears a fixed interest rate ranging from 1.75% to 5.00%, payable semi-annually. The bond matures serially in amounts ranging from \$5,000 to \$5,285,000 through 2040.

General Obligation Bond - Series A of 2019 - On July 7, 2019, the District issued General Obligation Bond - Series of 2019A in the principal amount of \$13,205,000. The proceeds of the bond are being used for the purpose of (1) the current refunding of the remaining General Obligation Bond, Series A of 2015 of the District, (2) the current refunding of the remaining General Obligation Bond, Series B of 2015 of the District, and (3) paying the costs of issuing the bonds. The economic gain on the refunding of the 2015A and 2015B bonds were \$534,970. The bond bears a fixed interest rate ranging from 2.00% to 5.00%, payable semi-annually. The bond matures serially in amounts ranging from \$375,000 to \$4,435,000 through 2027.

The District is in compliance with all debt covenants of the outstanding issues. Those covenants include the following: The District shall include the annual debt service in its budget for the fiscal year; shall appropriate those amounts from its general revenues; and shall punctually cause the payment of the principal and interest of all obligations.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 7. Long-Term Obligations (Continued)

The future debt service requirements of the fixed and variable general obligation long-term debt issues are as follows, assuming current rates:

Year ending June 30:	Principal	Interest	Total
2022	\$ 3,461,000	\$ 3,787,252	\$ 7,248,252
2023	3,616,000	3,787,252	7,403,252
2024	3,779,000	3,698,045	7,477,045
2025	3,941,000	3,604,346	7,545,346
2026	4,270,000	3,515,685	7,785,685
2027-2031	21,480,000	15,319,044	36,799,044
2032-2036	25,985,000	10,413,950	36,398,950
2037-2040	21,185,000	3,731,500	24,916,500
	<u>\$ 87,717,000</u>	<u>\$ 47,857,074</u>	<u>\$ 135,574,074</u>

All debt service payments for general obligation notes and bonds are funded by the General Fund. As required by the Pennsylvania Department of Education Financial Accounting and Reporting Manual, debt issuance costs are reported on the Statement of Revenues, Expenditures and Changes in Fund Balances as Support Services expenditures.

The District has no outstanding, in-substance, defeased debt.

#### Compensated Absences

Sickness - Under the terms of the District's employment policies, employees are granted sick days per school year, and any unused sick days are permitted to be carried over to future years. Upon retirement from the District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by a pre-determined amount per the employment contract. The total liability for sick leave at June 30, 2021, has been reflected in the Statement of Net Position.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 7. Long-Term Obligations (Continued)**

Lease Purchase Obligation

The District leases computers which are located throughout the District. The related lease agreements qualify as capital leases, and accordingly, these transactions are recorded at the present values of related future, minimum lease payments as of the inception date. All lease purchase obligations are funded by the General Fund.

The assets acquired through capital leases are as follows:

	Amount
Assets	
Computers	\$ 1,702,972
Less accumulated depreciation	(1,486,979)
Total computers - net book value	<u>\$ 215,993</u>

The following is a schedule of the future, minimum lease payments due under the lease purchase obligations as of June 30, 2021:

Years	Amount
2021-2022	\$ 450,557
2022-2023	43,499
Total minimum lease payments	494,056
Less: amount representing interest	(8,770)
Total present value of net minimum lease payments	<u>\$ 485,286</u>

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 8. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public entity risk pool currently operating as a claim servicing pool for member school districts and the intermediate unit. The Trust purchased stop-loss insurance through the Pennsylvania Trust with coverage starting at \$300,000 per covered person. A portion of the members' total contributions are transferred to the Pennsylvania Maxi-Pool Fund each month. Claims over \$300,000 and up to \$500,000 are paid from this fund on a shared risk basis. Stop-loss insurance is purchased by the Pennsylvania Trust through an insurance carrier for \$500,000 and above per individual. At June 30, 2021, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of \$4,066,269 with Lincoln Benefit Trust, which is recorded in the General Fund as an asset. The District has nonspendable fund balance for this amount.

The following is a summary of the financial information of the Lincoln Benefit Trust as of June 30, 2021:

	Amount
Net position available for benefits	\$ 85,107,384
Accumulated plan benefits	\$ 9,132,600

The accumulated plan benefits represent benefit claims payable and estimated claims incurred, but not reported to the Plan Administrator at June 30, 2021. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount, and the difference may be material to the District's financial position.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 9. Defined Benefit Pension Plan

##### Plan Description

PSERS (Pennsylvania Public School Employees' Retirement System or 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. 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](http://www.psers.pa.gov).

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 standalone 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%.

##### Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service 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.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### **Note 9. 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 contractually required contribution rate for the fiscal year ended June 30, 2021, was 34.51% 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. The 34.51% rate is composed of a contribution rate of 33.51% for pension benefits, .18% for Act 5 defined contribution retirement benefits and .82% 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, relating to pension benefits, for the year ended June 30, 2021, was \$9,019,822, and is equal to the required contribution for the year. For the year ended June 30, 2021, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$5,573,693.

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

At June 30, 2021, the District reported a liability of \$93,357,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .1896 percent, which was an increase of .0028 percent from its proportion measured as of June 30, 2019.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 9. Defined Benefit Pension Plan (Continued)**

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

For the year ended June 30, 2021, the District recognized pension expense of \$11,507,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 244,000	\$ 2,238,000
Net difference between projected and actual investment earnings	4,103,000	-
Changes in proportion	2,484,000	200,000
Difference between employer contributions and proportionate share of total contributions	131,000	-
Contributions subsequent to the measurement date	9,019,000	-
	<u>\$ 15,981,000</u>	<u>\$ 2,438,000</u>

\$9,019,000 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Total
2022	\$ 749,000
2023	998,000
2024	1,557,000
2025	1,220,000
	<u>\$ 4,524,000</u>



## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 9. Defined Benefit Pension Plan (Continued)

##### Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

##### Investments

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

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

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

## DOVER AREA SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 9. Defined Benefit Pension Plan (Continued)

##### Investments (Continued)

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

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

##### Discount Rate

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

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 9. 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 proportionate share of the net pension liability, calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 115,503,000	\$ 93,357,000	\$ 74,597,000

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](http://www.psers.pa.gov).

Plan Payables

At June 30, 2021, the District has payables to the PSERS pension plan of \$3,275,200. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2021.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Other Post-Employment Benefits - District’s Single Employer Plan**

Plan Description, Benefit Terms and Funding Policy

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. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when 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 Statement No. 75. The plan description and benefit terms provided by the Plan are summarized in the chart below:

<i>GROUP</i>	<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
<b>I. ADMINISTRATORS</b>	Retire through PSERS	<p><b>Coverage:</b> Medical, Prescription Drug, Dental and Vision</p> <p><b>Premium Sharing:</b> If the member reaches 30 total years of PSERS service and 5 years of service with the District, the member will be allowed to continue medical, prescription drug and dental coverage for his/herself by paying the same amount as stated for an active administrator in the current contract at the time of retirement for up to 7 years. This premium share by the member is currently 50%. The member must pay the full premium for vision coverage. If the member is under 65 and has exhausted the years of paid benefits, the member may continue coverage by paying the full premium as determined for the purpose of COBRA. Spouses may continue benefits by paying the full premium.</p> <p>If the member does not reach 30 years of PSERS and 5 years with the District, the member may continue benefits by paying the full premium as determined for the purpose of COBRA. Spouses may also continue benefits by paying the full premium.</p> <p><b>Dependents:</b> Spouses included.</p>	Member and spouse may continue benefits until the earlier of member Medicare age and member death. Spousal benefits cease at Medicare age if the spouse reaches Medicare age before the member.
<b>II. ALL OTHER EMPLOYEES</b>	Same as I.	Act 110/43	Same as I.

Notes: Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer’s group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: I) PSERS early retirement while under 62 with 5 years of PSERS Service or II) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: I) PSERS early retirement while under 65 with 10 years of PSERS Service or II) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: I) PSERS early retirement while under 67 with 10 years of PSERS Service or II) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 25 years of PSERS service. In general, these pension classes apply to individuals who were members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: I) PSERS early retirement while under 67 with 10 years of PSERS Service or II) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, these pension classes apply to individuals who were members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reach age 57 with 25 years of PSERS service.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)**

Employees Covered by Benefit Terms

As of the July 1, 2020 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	9
Active employees	389
	<u>417</u>

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

At June 30, 2021, the District reported a liability of \$3,130,953 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	<u>\$ 4,769,852</u>
Changes for the year	
Service cost	373,775
Interest	169,318
Differences between expected and actual experience	(1,916,845)
Changes in assumptions	(72,444)
Estimated benefit payments	(192,703)
Net Changes	<u>(1,638,899)</u>
Total OPEB Liability, ending	<u>\$ 3,130,953</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$461,596. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 862,439	\$ 1,779,927
Changes in assumptions	85,555	367,783
Benefit payments subsequent to the measurement date	114,451	-
	<u>\$ 1,062,445</u>	<u>\$ 2,147,710</u>

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

##### OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$114,451 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 ending June 30, 2022. 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:

<u>Year ending June 30:</u>	<u>Total</u>
2022	\$ (81,497)
2023	(81,497)
2024	(81,497)
2025	(81,497)
2026	(81,497)
Thereafter	(792,231)
	<u><u>\$ (1,199,716)</u></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%.
- Discount Rate - 1.86%. Based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.
- Actuarial Cost Method: Entry Age Normal, Level Percent of Pay
- Health Care Cost Trend Rate - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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 the 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 Buck Modified 2016 projection scale to reflect mortality improvement.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)**

Sensitivity of the District's Total OPEB liability to Changes in the Discount Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 1.86%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.86%) or one percentage higher (2.86%) than the current discount rate:

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
Total OPEB liability	\$ 3,371,157	\$ 3,130,953	\$ 2,902,059

Changes in Actuarial Assumptions

The discount rate used to measure the Total OPEB liability decreased from 3.36% as of July 1, 2019 to 1.86% as of July 1, 2020.

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

The following presents the total OPEB liability of the district calculated using the health care cost trend rates of (5.5% decreasing to 4.0%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 2,740,759	\$ 3,130,953	\$ 3,600,135

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan**

##### System Administration

The administrative staff of the System administers a defined benefit pension plan, and two post-employment 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.

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

##### Premium Assistance Eligibility Criteria

Retirees of the 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.



# DOVER AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

#### Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2021, was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$219,538 for the year ended June 30, 2021.

#### OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, the District reported a liability of \$4,112,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one year reported covered payroll as it relates to the total one year reported covered payroll. At June 30, 2020, the District's proportion was .1903 percent, which was an increase of .0035 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$234,800. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,000	\$ -
Changes in assumptions	168,000	90,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportion	181,000	20,000
Difference between employer contributions and proportionate share of total contributions	13,700	-
Contributions subsequent to the measurement date	220,000	-
	<u>\$ 627,700</u>	<u>\$ 110,000</u>

# DOVER AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

#### OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

\$220,000 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2022	\$ 49,300
2023	48,300
2024	46,400
2025	80,700
2026	49,000
Thereafter	24,000
	<u>\$ 297,700</u>

#### Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - 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 period ending June 30, 2015.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

##### Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018, determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 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 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

##### 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
U.S. Core Fixed Income	46.5%	(0.1%)
Non-U.S. Developed Fixed	3.2%	(0.1%)
	<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, 2020.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)**

Discount Rate

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

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability decreased from 2.79% as of June 30, 2019, to 2.66% as of June 30, 2020.

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 2.66%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ 4,688,000	\$ 4,112,000	\$ 3,635,000

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. 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 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 7.75%) that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 4,111,000	\$ 4,112,000	\$ 4,112,000

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](http://www.psers.pa.gov).

Plan Payables

At June 30, 2021, the District has payables to the OPEB plan of \$79,717.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 12. Derivative Financial Instruments

##### Objective of the Interest Rate Swaps

As a means to manage interest rate exposure, the District entered into a pay variable, receive fixed interest rate swap in connection with its Series of 2003 General Obligation Bonds. The swap contract remained in effect through various bond refinancing through and including the 2006, 2011A, 2013 and 2016 Bonds. The intentions of the swap were to effectively change the District's fixed interest rates on the bonds to lower, synthetic variable rates.

##### Terms, Fair Value and Credit Risk

The terms, fair values and credit risks of the outstanding swap as of June 30, 2021, were as follows. The notional amounts of the swaps aligned with percentages of the principal amounts of the original associated debt. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

	Notional Amounts	Effective Date	Fixed Rate Received	Variable Rate Paid	Fair Values	Swap Termination Date
GO Bonds Series of 2013 & 2016	<u>\$ 7,320,000</u>	4/15/2004	N/A	N/A	<u>\$ -</u>	4/1/2021

During the year ended June 30, 2012, the District and the Swap Counterparty entered into a swap modification agreement that results in annual payments being made to the District through 2021. This payment will be made without regard to future changes in interest rates. The Swap Fair Values have been determined based on the present values of the future payments to be made to the District.

For the year ended June 30, 2021, the derivative instruments are considered to be investment derivatives, with their fair values recorded as noncurrent liabilities on the Statement of Net Position, and the changes in their fair values recognized against investment income in the Statement of Activities. During the year ended June 30, 2021, \$209,216 was recorded as income in the Statement of Activities to reflect the changes in fair values of the derivatives from July 1, 2020.

##### Fair Values

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the instrument. 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. The fair values of the derivative financial instruments were estimated using the discounted cash flow method. This method calculates the future net settlement payments required by the interest rate swaps. These payments are then discounted for the dates of each future net settlement on the interest rate swaps. Presently, the District classifies these derivative financial instruments in Level 3.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 12. Derivative Financial Instruments (Continued)**

##### Credit Risk

As of June 30, 2021, the District is exposed to credit risk in the amount of the derivatives' fair values. The swap agreements contain a collateral agreement with the counterparty. The swaps are insured transactions by Financial Security Assurance, Inc.

The District has executed the swap transactions with a single counterparty. That counterparty is rated AA- by Standard & Poor's Rating Service.

##### Basis & Tax Risk

The swap is not exposed to basis risk as any change the relationship between variable rates would not alter the fixed amount that the District is scheduled to be paid under this financial contract. Similarly, the contract is not subject to tax risk.

##### Termination Risk

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as rating downgrades, failure to pay, and bankruptcy. The District or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts. If the swaps are terminated, the fixed rate bonds would no longer carry synthetic interest rates.

**DOVER AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Fund Balance Designations**

The District has designated certain portions of its governmental fund balances as follows:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Student Sponsored Activity Fund
Nonspendable, reported in:				
General fund - prepaids	\$ 4,066,269	\$ -	\$ -	\$ -
Restricted for, reported in:				
Capital projects	-	-	9,530,433	-
Student sponsored activity	-	-	-	99,543
Committed to, reported in:				
Retirement	5,091,912	-	-	-
Technology	500,000	-	-	-
Medical costs	907,802	-	-	-
Debt principal	3,256,588	-	-	-
Unassigned, reported in:				
General fund	4,169,989	-	-	-
	<u>\$ 17,992,560</u>	<u>\$ -</u>	<u>\$ 9,530,433</u>	<u>\$ 99,543</u>

**Note 14. Risk Management**

Insurance

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Most significant losses are covered by commercial insurance for 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. During the year ended June 30, 2021, the District did not incur any significant losses that were not covered by insurance.

COVID-19 Pandemic

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.



# DOVER AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 15. Commitments and Contingencies

#### General Obligation Notes - 2008 Series Interest Rate Management Plan

On December 30, 2008, the District issued General Obligation Notes to the Delaware Valley Regional Financing Authority (Del Val) in the amount of \$15,000,000 for the purpose of additions and renovations to elementary school buildings and the payment of the costs of issuance of the 2008 notes. Del Val, as a financing authority, issues local government revenue bonds to provide loans for local government units.

Del Val enters into interest rate swaps in order to reduce the costs of the participants in the Loan Program and to enhance the ability of those in the Loan Program to manage their interest rate risk. These swaps carry the basic risks generally consistent with those described in Note 12, including basis risk, termination risk, credit risk and market access risk. As a participant in the Loan Program, the District could be adversely affected by the implications of Del Val's compliance with the terms of these swap agreements through additional costs which are not estimable at this time.

#### Operating Leases

The District maintains copying machines under non-cancelable, long-term operating leases. Future minimum rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2021, are presented in the succeeding table. Total rental expense realized under these leases was \$98,627 for the year ended June 30, 2021, which was funded through the General Fund.

<u>Year ending June 30:</u>	<u>Amount</u>
2022	\$ 69,288
2023	69,288
2024	69,288
2025	69,288
2026	17,322
	<u>\$ 294,474</u>

#### Grant Programs

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivables at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 16. Joint Ventures

##### York County School of Technology

The District is one of 14 member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint-operating committee consisting of board members from the “fourteen member school districts.” Member districts are responsible for funding the major portion of YCST’s operating budget. The District’s share of annual operating costs for YCST is based on the number of students attending the school from the District and is reflected as instructional expenditures of the District’s General Fund. For the year ended June 30, 2021, the District paid \$1,096,382 for its estimated share of the operating budget.

The York County School of Technology formed The York County School of Technology Authority (the Authority) on March 29, 1967, as a financing medium for the construction, improvement and maintenance of YCST. The Authority has issued Lease Revenue Bonds, Series of 2003 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years, and to refund the Guaranteed Revenue Note, Series of 2002. The Authority will lease the school facilities to YCST under a lease agreement dated May 15, 2003, under which YCST will operate and maintain the school facilities and will be obligated to pay the lease rentals to the Authority in fixed amounts sufficient to pay the principal and interest on the Lease Revenue Bonds, Series of 2003. The District’s obligation for lease payments is calculated annually based on its pro-rata share of assessed market value of real estate located within the 14 member districts. Pursuant to the Restated Articles of Agreement for the formation of the joint venture, withdrawal by a member district does not relieve the district of its obligations incurred while a member district, such as the required payment of funds for the lease rentals of YCST. As of June 30, 2021, the District’s pro-rata share represented 5.79% of total assessed value, which resulted in a lease rental payment to YCST in the amount of \$189,775, which payment is included in the instructional expenditures of the District’s General Fund.

The annual requirements of the District based on the 5.79% assessed value rate to amortize the Lease Revenue Bonds 2017, Series A and B recorded on the books of the York County School of Technology Authority are as follows:

Year ending September 30:	Principal	Interest	Total
2022	\$ 136,355	\$ 53,271	\$ 189,626
2023	143,013	46,463	189,476
2024	150,250	39,321	189,571
2025	112,905	31,818	144,723
2026	85,982	26,612	112,594
2027-2031	496,782	66,033	562,815
2032	46,320	1,448	47,768
Total	1,171,607	\$ 264,966	\$ 1,436,573
Less: due within one year	136,355		
Total long-term outstanding	\$ 1,035,252		

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 16. Joint Ventures (Continued)

##### York County School of Technology (Continued)

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2021, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2020, audited financial statements, available for inspection at the District's Business Office:

	Amount
Total assets	\$ 14,616,991
Total liabilities	53,559,360
Net position	
Net investment in capital assets	2,377,920
Unrestricted	(41,320,289)
Total net position	<u>\$ (38,942,369)</u>
Total revenues (including \$19,311,508 from member districts)	\$ 30,052,219
Total expenses	<u>30,690,710</u>
Change in net position	<u>\$ (638,491)</u>

##### York/LIU Joint Authority

The District is one of 13 York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. Under the School Code, an intermediate unit is permitted "to lease land and buildings and to own office and warehouse facilities." This provision of the School Code prohibits an intermediate unit from owning buildings which are used for classrooms. Therefore, although an intermediate unit may lease classroom space, an intermediate unit may not own property which is used for classrooms.

In order to obtain the facilities which the LIU needs in York County, the LIU entered into a lease with Central York School District for the Old Central York High School on August 15, 2005. An option of the lease agreement stipulated that the LIU may purchase the property for \$2,500,000 before the two-year lease expired on August 31, 2007. As noted above, according to School Code, the LIU may lease the property, but not purchase it. As a result, on March 3, 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority.

The Authority will lease the above mentioned property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2017 with a balance of \$1,200,133 as of June 30, 2021.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 17. Subsequent Events**

##### Washington Township Litigation

A Pennsylvania Commonwealth Court ruled that Washington Township, whose students currently go to Dover Area School District, can secede from the Dover Area School District, and join the Northern York County School District. This change goes into effect for the 2021-22 School year and will affect approximately 250 students district wide. When Washington Township leaves, the District will lose in excess of \$2.7 million dollars in tax revenue. Dover Area School District is currently working through the York County Court to determine what portion of debt will be the responsibility of Northern York County School District. In addition, the York County Court will help to determine if any portion of State aid will be payable to Northern York County School District.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DOVER AREA SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Year Ended June 30,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.1896%	0.1868%	0.1830%	0.1780%	0.1802%	0.1723%	0.1699%
District's proportionate share of the net pension liability	<u>\$ 93,357,000</u>	<u>\$ 87,390,000</u>	<u>\$ 87,849,000</u>	<u>\$ 87,911,000</u>	<u>\$ 89,301,000</u>	<u>\$ 74,632,000</u>	<u>\$ 67,248,000</u>
District's covered payroll	<u>\$ 26,712,103</u>	<u>\$ 25,765,389</u>	<u>\$ 24,640,543</u>	<u>\$ 23,697,342</u>	<u>\$ 23,342,365</u>	<u>\$ 22,164,951</u>	<u>\$ 21,681,870</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	349.49%	339.18%	356.52%	370.97%	382.57%	336.71%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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.

**DOVER AREA SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF  
DISTRICT'S PENSION CONTRIBUTIONS  
Year Ended June 30,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 9,019,822	\$ 8,877,697	\$ 8,384,438	\$ 7,988,516	\$ 6,942,501	\$ 5,878,163	\$ 4,461,057
Contributions in relation to the contractually required contribution	(9,019,822)	(8,877,697)	(8,384,438)	(7,988,516)	(6,942,501)	(5,878,163)	(4,461,057)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 27,089,099	\$ 26,770,966	\$ 25,798,535	\$ 25,342,955	\$ 23,663,907	\$ 23,349,296	\$ 22,161,245
Contributions as a percentage of covered payroll	33.30%	33.16%	32.50%	31.52%	29.34%	25.17%	20.13%

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.

**DOVER AREA SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -  
DISTRICT'S SINGLE EMPLOYER PLAN**

**Year Ended June 30,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>				
Service cost	\$ 373,775	\$ 374,877	\$ 281,490	\$ 271,658
Interest	169,318	144,476	120,794	87,631
Changes in benefit terms	-	-	(227,619)	-
Differences between expected and actual experience	(1,916,845)	-	1,097,648	-
Changes in assumptions	(72,444)	(147,266)	(221,818)	119,779
Benefit payments	(192,703)	(164,835)	(143,208)	(155,853)
<b>Net change in total OPEB liability</b>	<b>(1,638,899)</b>	<b>207,252</b>	<b>907,287</b>	<b>323,215</b>
<b>Total OPEB Liability - beginning</b>	<b>4,769,852</b>	<b>4,562,600</b>	<b>3,655,313</b>	<b>-</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 3,130,953</b>	<b>\$ 4,769,852</b>	<b>\$ 4,562,600</b>	<b>\$ 323,215</b>
<b>District's covered payroll</b>	<b>\$ 24,397,348</b>	<b>\$ 23,309,704</b>	<b>\$ 23,309,704</b>	<b>\$ 21,955,378</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>12.83%</b>	<b>20.46%</b>	<b>19.57%</b>	<b>1.47%</b>

**Notes to Schedule:**

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.



**DOVER 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,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.1903%	0.1868%	0.1830%	0.1780%
District's proportionate share of the net OPEB liability	<u>\$ 4,112,000</u>	<u>\$ 3,973,000</u>	<u>\$ 3,815,000</u>	<u>\$ 3,627,000</u>
District's covered payroll	<u>\$ 26,712,103</u>	<u>\$ 25,765,389</u>	<u>\$ 24,640,543</u>	<u>\$ 23,697,342</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	15.39%	15.42%	15.48%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	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.

**DOVER AREA SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS COST SHARING PLAN  
Year Ended June 30,**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 219,538	\$ 222,938	\$ 213,470	\$ 208,899
Contributions in relation to the contractually required contribution	(219,538)	(222,938)	(213,470)	(208,899)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 27,089,099	\$ 26,770,967	\$ 25,798,566	\$ 25,342,955
Contributions as a percentage of covered payroll	0.81%	0.83%	0.83%	0.82%

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**

**DOVER AREA SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS**

**June 30, 2021**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 8,248,812	\$ 8,248,812
Investments	-	1,975,000	1,975,000
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 10,223,812</b>	<b>\$ 10,223,812</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 693,379	\$ 693,379
<b>Total liabilities</b>	<b>-</b>	<b>693,379</b>	<b>693,379</b>
<b>Fund Balances</b>			
Restricted	-	9,530,433	9,530,433
<b>Total fund balances</b>	<b>-</b>	<b>9,530,433</b>	<b>9,530,433</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 10,223,812</b>	<b>\$ 10,223,812</b>

See Notes to Financial Statements.

**DOVER AREA SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CAPITAL PROJECTS FUNDS  
Year Ended June 30, 2021**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Revenues</b>			
Local sources	\$ 2,411	\$ 1,356	\$ 3,767
<b>Total revenues</b>	<b>2,411</b>	<b>1,356</b>	<b>3,767</b>
<b>Expenditures</b>			
Current:			
Instructional	838,019	3,343	841,362
Support services	422,834	41,281	464,115
<b>Total Current</b>	<b>1,260,853</b>	<b>44,624</b>	<b>1,305,477</b>
Capital outlay	11,544,086	1,438,275	12,982,361
Debt service	-	1,529,952	1,529,952
<b>Total expenditures</b>	<b>12,804,939</b>	<b>3,012,851</b>	<b>15,817,790</b>
<b>Deficiency of revenues under expenditures</b>	<b>(12,802,528)</b>	<b>(3,011,495)</b>	<b>(15,814,023)</b>
<b>Other Financing Sources</b>			
<b>Interfund transfers in</b>	<b>23</b>	<b>872,924</b>	<b>872,947</b>
<b>Net changes in fund balances</b>	<b>(12,802,505)</b>	<b>(2,138,571)</b>	<b>(14,941,076)</b>
Fund Balances - July 1, 2020	12,802,505	11,669,004	24,471,509
Fund Balances - June 30, 2021	\$ -	\$ 9,530,433	\$ 9,530,433

See Notes to Financial Statements.

**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  
Dover Area School District  
Dover, 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 Dover Area School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Dover Area School District's basic financial statements, and have issued our report thereon dated January 12, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dover Area School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dover Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dover 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dover Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

### **Dover Area School District's Response to Findings**

Dover Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questions costs. Dover Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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 black ink that reads "Boyer & Ritter". The signature is written in a cursive style with a large, sweeping flourish at the end of the word "Ritter".

Camp Hill, Pennsylvania  
January 12, 2022

**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  
Dover Area School District  
Dover, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Dover 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 Dover Area School District's major federal programs for the year ended June 30, 2021. Dover 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

**Auditor's Responsibility**

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



### **Basis for Qualified Opinion on Assistance Listing Number 10.559 Summer Food Service Program for Children**

As described in the accompanying schedule of findings and questioned costs, Dover Area School District did not comply with requirements regarding the Assistance Listing Number 10.559 Summer Food Service Program for Children as described in finding number 2021-001 for Cash Management. Compliance with such requirements is necessary, in our opinion, for Dover Area School District to comply with the requirements applicable to that program.

### **Qualified Opinion on Assistance Listing Number 10.559 Summer Food Service Program for Children**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dover 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 Assistance Listing Number 10.559 Summer Food Service Program for Children for the year ended June 30, 2021.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Dover 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 other major Federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

### **Other Matters**

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

### **Report on Internal Control Over Compliance**

Management of Dover 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 Dover 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 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 Dover 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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

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 that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 12, 2022

**DOVER AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

**Section I -- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness (es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)?  Yes  None Reported

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
	<b>CHILD NUTRITION CLUSTER</b>
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee?  Yes  No

**DOVER AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**Section II -- Financial Statement Findings**

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A. Internal Control Findings

**Finding 2021-001: Cash Management**

Federal Agency: U.S. Department of Agriculture

Pass-through agency: Pennsylvania Department of Education

Assistance Listing Number: 10.559 Summer Food Service Program for Children

**Criteria:** Per Uniform Guidance 2 CFR Part 200 – Non-federal entities must minimize the time elapsing between the transfer of funds from the US Treasury or pass-through entity and disbursement by the non-federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR section 200.305(b)).

**Condition:** The District is responsible for ensuring that cash reimbursements related to Federal Programs are properly completed. Testing performed of the Cash Management compliance requirement identified 10 out of a population of 12 claim reimbursements that did not properly reflect the number of school lunch and breakfast meals served, therefore, understating the District’s reimbursement for meals served for all site locations within the District.

**Cause:** District personnel did not properly count and submit the correct number of school lunch and breakfast meals served for site locations within the District.

**Effect:** The District did not receive the correct Federal reimbursement relating to the school lunch and breakfast meals served for all site locations within the District. The District under reported the number of meals served; which resulted in the District not receiving \$294,782 of eligible Federal reimbursement from the Summer Food Service Program for Children.

**Questioned Costs:** This finding does not result in questioned costs.

**Prior Year Finding:** No

**Recommendation:** District management should establish review and approval procedures to reconcile the Federal claim for reimbursement reports to District’s underlying data documenting meals served for all site locations prior to filing the reports.

**Views of Responsible Officials:** Management has responded to this finding in the Corrective Action Plan which is part of this reporting package.

B. Compliance Findings

See Finding 2021-001 in Section II, Item A above.

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**Section III -- Federal Award Findings and Questioned Costs**

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A. Internal Control Findings

See Finding 2021-001 in Section II, Item A above.

B. Compliance Findings

See Finding 2021-001 in Section II, Item A above.

DOVER AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2021	Provided to Subrecipients
<b>U.S. Department of Education</b>										
Passed through Pennsylvania Department of Education										
Title I - Grants to Local Educational Agencies	84.010	013-20-0120	19-20	\$ 572,004	\$ 76,220	\$ 76,220	\$ -	\$ -	\$ -	\$ -
Title I - Grants to Local Educational Agencies	84.010	013-21-0120	20-21	\$ 638,353	555,443	-	638,353	638,353	82,910	-
					<u>631,663</u>	<u>76,220</u>	<u>638,353</u>	<u>638,353</u>	<u>82,910</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	84.367	020-20-0120	19-20	\$ 111,808	44,622	15,159	29,463	29,463	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-21-0120	20-21	\$ 119,743	103,623	-	119,743	119,743	16,120	-
					<u>148,245</u>	<u>15,159</u>	<u>149,206</u>	<u>149,206</u>	<u>16,120</u>	<u>-</u>
Title IV - Student Support and Academic Enrichment Program	84.424	144-20-0120	19-20	\$ 43,571	8,714	8,714	-	-	-	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-21-0120	20-21	\$ 43,380	27,887	-	43,380	43,380	15,493	-
					<u>36,601</u>	<u>8,714</u>	<u>43,380</u>	<u>43,380</u>	<u>15,493</u>	<u>-</u>
COVID-19 - Elementary & Secondary School Emergency Relief Fund	84.425D	200-20-0120	20-21	\$ 469,812	271,996	-	453,390	453,390	181,394	-
COVID-19 - Elementary & Secondary School Emergency Relief Fund	84.425D	200-21-0120	20-21	\$ 2,357,238	222,287	-	264,656	264,656	42,369	-
					<u>494,283</u>	<u>-</u>	<u>718,046</u>	<u>718,046</u>	<u>223,763</u>	<u>-</u>
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	252-20-0120	20-21	\$ 38,041	36,039	-	38,041	38,041	2,002	-
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	254-20-0120	20-21	\$ 61,277	35,476	-	38,513	38,513	3,037	-
					<u>71,515</u>	<u>-</u>	<u>76,554</u>	<u>76,554</u>	<u>5,039</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	380-21-0095	20-21	\$ 31,544	25,809	-	31,544	31,544	5,735	-
Total passed through the Pennsylvania Department of Education					<u>1,408,116</u>	<u>100,093</u>	<u>1,657,083</u>	<u>1,657,083</u>	<u>349,060</u>	<u>-</u>
Passed through Pennsylvania Commission on Crime and Delinquency										
COVID-19 - Elementary & Secondary School Emergency Relief Fund	84.425D	2020-ES-01-35230	20-21	\$ 103,636	-	-	103,636	103,636	103,636	-
Passed through Lincoln Intermediate Unit										
Special Education Grants to State	84.027	062-20-0012	20-21	\$ 728,167	728,167	-	728,167	728,167	-	-
Special Education Preschool Grants	84.173	131-20-0012	20-21	\$ 4,050	4,050	-	4,050	4,050	-	-
Total passed through Lincoln Intermediate Unit					<u>732,217</u>	<u>-</u>	<u>732,217</u>	<u>732,217</u>	<u>-</u>	<u>-</u>
<b>Total U.S. Department of Education</b>					<u>2,140,333</u>	<u>100,093</u>	<u>2,492,936</u>	<u>2,492,936</u>	<u>452,696</u>	<u>-</u>

(Continued)

DOVER AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2021

	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2021	Provided to Subrecipients
<b>U.S. Department of the Treasury</b>										
Passed through Pennsylvania Commission on Crime and Delinquency COVID-19 - Coronavirus Relief Fund	21.019	2020-CS-01-34054	20-21	\$ 264,270	264,270	-	264,270	264,270	-	-
Passed through the County of York COVID-19 - Coronavirus Relief Fund	21.019	N/A	20-21	\$ 50,000	50,000	-	50,000	50,000	-	-
<b>Total U.S. Department of the Treasury</b>					314,270	-	314,270	314,270	-	-
<b>U.S. Department of Health and Human Services</b>										
Passed through Pennsylvania Department of Public Welfare Medical Assistance Program; Title XIX	93.778	044-007413	19-20	\$ 16,238	13,653	13,653	-	-	-	-
Medical Assistance Program; Title XIX	93.778	044-007413	20-21	\$ 25,538	4,841	-	25,538	25,538	20,697	-
<b>Total U.S. Department of Health and Human Services</b>					18,494	13,653	25,538	25,538	20,697	-
<b>U.S. Department of Agriculture</b>										
Passed through Pennsylvania Department of Education Summer Food Service Program for Children	10.559	N/A	19-20	N/A	171,236	171,236	-	-	-	-
Summer Food Service Program for Children	10.559	N/A	20-21	N/A	1,109,610	-	1,540,874	1,540,874	431,264	-
					1,280,846	171,236	1,540,874	1,540,874	431,264	-
Total passed through the Pennsylvania Department of Education					1,280,846	171,236	1,540,874	1,540,874	431,264	-
Passed through Pennsylvania Department of Agriculture National School Lunch Program - Food Donations	10.555	N/A	20-21	N/A	98,410	-	98,410	98,410	-	-
<b>Total U.S. Department of Agriculture</b>					1,379,256	171,236	1,639,284	1,639,284	431,264	-
<b>Total Expenditures of Federal Awards</b>					\$ 3,852,353	\$ 284,982	\$ 4,472,028	\$ 4,472,028	\$ 904,657	\$ -
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555, and 10.559)					\$ 1,379,256	\$ 171,236	\$ 1,639,284	\$ 1,639,284	\$ 431,264	\$ -
Special Education Cluster (Assistance Listing Numbers 84.027 and 84.173)					\$ 732,217	\$ -	\$ 732,217	\$ 732,217	\$ -	\$ -
Economic Stabilization Fund (Assistance Listing Numbers 84.425)					\$ 565,798	\$ -	\$ 898,236	\$ 898,236	\$ 332,438	\$ -

See Notes to Schedule of Expenditures of Federal Awards.

## DOVER AREA SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Dover Area School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dover Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Dover Area School 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. Revenue is recognized when earned, and expenses are recognized when incurred. 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. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 3. Access Program**

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. There was no ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2021.

**DOVER AREA SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2021**

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There were no prior year's audit findings.





**DOVER AREA SCHOOL DISTRICT**  
*Empowering and Educating all learners to shape the 21<sup>st</sup> Century*

**Dr. Kelly K. Cartwright**  
*Superintendent*

**Mrs. Rina Houck**  
*Assistant Superintendent*

**Mr. Matthew Ulmer**  
*Chief Financial and Operations Officer*

**CORRECTIVE ACTION PLAN**

January 12, 2022

Dover Area School District respectfully submits the following corrective action plan for the year ended June 30, 2021.

The finding from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Finding 2021-001: Cash Management**

Federal Agency: U.S. Department of Agriculture

Pass-through agency: Pennsylvania Department of Education

Assistance Listing Number: 10.559 Summer Food Service Program for Children

**Recommendation:**

District management should establish review and approval procedures to reconcile the Federal claim for reimbursement reports to District’s underlying data documenting meals served for all site locations.

**Management Response:**

Matthew I. Ulmer, Chief Financial & Operations Officer and/or Jennifer L. Leppo, Business Manager will review monthly claims for reimbursement reports to assure completeness and accuracy by assigned personnel.

**Individuals Responsible:**

Matthew I. Ulmer, Chief Financial & Operations Officer and/or Jennifer L. Leppo, Business Manager

**Anticipated Completion Date:**

Action has already been taken by the District to resolve the underlying issue of this finding.

Dover Area School District

Matthew I. Ulmer  
Chief Financial & Operations Officer

Jennifer L. Leppo  
Business Manager