



CANON-MCMILLAN SCHOOL DISTRICT

CANONSBURG, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
SCHOOL YEAR ENDED JUNE 30, 2022



Cypher & Cypher

Accountants | Auditors | Advisors

CANON–MCMILLAN SCHOOL DISTRICT

TABLE OF CONTENTS

FINAL WITH RESPECT TO FINANCIAL STATEMENT AUDIT
DRAFT WITH RESPECT TO FEDERAL PROGRAM AUDIT

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-xxv
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET-GOVERNMENTAL FUNDS	3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET VS ACTUAL – GENERAL FUND	7
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	9
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	10
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	11
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	12

NOTES TO THE FINANCIAL STATEMENTS	13-42
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	43
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	44
SUPPLEMENTARY INFORMATION	
BALANCE SHEET – CAPITAL PROJECTS FUNDS	45
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUNDS	46
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - DRAFT	47-48
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - DRAFT	49-51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	52-53
SCHEDULE OF EXPENDITURE OF AWARDS OF FEDERAL ASSISTANCE	54-55
NOTES TO THE SCHEDULE OF EXPENDITURE OF AWARDS OF FEDERAL ASSISTANCE	56

Independent Auditor's Report

Canon-McMillan School District
Canonsburg, Pennsylvania

Ladies and Gentlemen:

Report on the Audit of the Financial Statements

Opinions

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 Canon-McMillan School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Canon-McMillan School District's basic financial statements as listed in the table of contents.

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 Canon-McMillan School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Canon-McMillan School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Canon-McMillan School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Canon-McMillan School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canon-McMillan School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Proportionate Share of the Net OPEB Liability on pages i-xxv, 43, and 44 be presented to supplement the basic financial statements. Such information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Canon-McMillan School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the balance sheet – capital projects funds and the statement of revenues, expenditures, and changes in fund balances – capital projects funds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of Canon-McMillan'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 Canon-McMillan 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 Canon-McMillan School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

Cypher & Cypher

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
December 8, 2022

Management's Discussion and Analysis

**CANON–McMILLAN SCHOOL DISTRICT
CANONSBURG, PENNSYLVANIA**

**Management's Discussion and Analysis (MD&A)
June 30, 2022**

Our discussion and analysis of Canon–McMillan School District's financial performance provides an overview of the School District's financial activities for the fiscal year ending June 30, 2022. The MD&A should be read in conjunction with the financial statements and footnotes. This report was prepared by the School District's Business Office.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June, 1999.

This report was prepared by the School District's Director of Business & Finance. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including disclosures in the notes to general purpose financial statements, is the responsibility of the School District's management. We believe that the data is accurately presented in all material respects, is presented in a manner designed to fairly present the financial position and results of operations of the District as measured by the financial activity of the various funds and that all disclosures necessary to enable a reader to gain the maximum understanding of the School District's financial affairs have been included.

THE SCHOOL DISTRICT

Canon–McMillan School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). Canon–McMillan School District is an independent reporting entity as determined within the criteria established in accordance with Governmental Accounting Standards Board codification Section 2100. The application of this section provides comparability between governmental units, comprehensiveness of an individual report, and an indication of the responsibility and control function of the elected officials.

The criteria of Section 2100 have been examined as to the relationship of the School District with the Western Area Career and Technology Center. This entity was determined not to be a part of the reporting entity of the School District. The Center has been excluded due to lack of substantial control. The District appoints one member to the Joint Operating Committee of the Center. The District pays tuition for the students attending the center and would be responsible for any revenue shortfall and loan defaults.

The School District provides a comprehensive educational system from kindergarten through grade twelve, including regular instruction, special instruction, vocational education and necessary support services. The goal of the School District is to provide

excellence in education by fostering high levels of student achievement through collaboration with the community and amidst an ethical culture. We are proud of the efforts of a small group of caring community citizens to establish a foundation to serve the interests of the district. The Canon-McMillan Horizon Foundation is a non-profit organization designed to solicit tax-free donations from local businesses and, in turn, donate those monies to Canon-McMillan to support the school district in areas including, but not limited to, educational programming and classroom supplies/materials.

The governing body of the School District consists of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The Superintendent functions as the Chief Executive Officer and works collaboratively with the Board of School Directors within a governance framework. The collaboration continues with and throughout the administrative team as teamwork is a cornerstone of our philosophy of success.

POSITIVE RESULTS OF OUR SCHOOL PROGRAM

Overall, the District is proud of the achievement of its students. We are proud to note that the Canon-McMillan School District boasts the honor of three National Blue Ribbon Schools: First Street Elementary (2007 and 2015) and Wylandville Elementary School (2010). In addition, during the 2019-2020 school year, the Canonsburg Middle School was recognized for their academic excellence, developmental responsiveness, social equity and outstanding structures and processes by the Pennsylvania Schools to Watch program. Canonsburg Middle School received their third Re-designation through the Schools to Watch process. That selection process included three schools in Pennsylvania that were initially recognized nine years ago. This is the third time these schools have been re-designated. Canonsburg Middle School is 1 of 42 in the state currently holding this designation and is one of five schools who has been designated four or more times. In addition, the middle school boasts the 2012 Middle Level Principal of the Year designation. In May 2014, Muse Elementary School and the Canon-McMillan Senior High School each received a Governor's Proclamation for outstanding continuous growth in student academic achievement. Cecil Intermediate School, was recognized as a National Title I Distinguished School for the State of Pennsylvania in 2015 and in 2018.

As one of the fastest growing school districts in southwestern Pennsylvania, we are proud of the myriad of opportunities we offer our students. Our growth, in combination with the age of some of our facilities necessitated a multi-phase capital improvement plan which was initially presented in May, 2014. Ground breaking for the new Muse Elementary School occurred in the fall of 2015 and the opening date for the new school occurred on schedule in August, 2017. We created physical learning spaces that are conducive to learning appropriate for the 21st century, representative of financially sound decisions and indicative of the well-developed infrastructure our students and school community deserve. Our high school renovation/expansion project which began in 2017 and was slated to be completed by December 2018. As of June, 2019 it was sustainably completed and only punch list items remained. A new middle school project

is currently underway with an expected move in date in January of the 2022-2023 school year.

The Canon-McMillan School District meets the needs of its students on a variety of academic, emotional and social levels. In response to the COVID-19 Pandemic, which began in March, 2020, the Canon-McMillan School District implemented a remote learning program for the provision of instruction during government-mandated school closures and later, during the implementation of a hybrid schedule. Canon-McMillan secured necessary online devices, improved district-wide technological infrastructure and increased bandwidth to accommodate a shift to full use of their online platforms (Google Classroom for K-4 and Schoology for grades 5-12). The District returned to full in person instruction in 2021, but is now poised to move forward with the district 1 to 1 device initiative. The District embraces the PA Core Standards with the provision of differentiated instructional practices which build a foundation for student success. After-school tutoring is offered for at-risk students needing extra help. Enrichment opportunities also are provided and are augmented by programming that addresses the needs of identified gifted students. Canon-McMillan has engaged in Community Partnerships providing students with hands-on project-based learning experiences in conjunction with their coursework. These experiences involve plant/factory field trips, round-table problem-solving discussions with engineers and CEO's and solutions-based projects paired with classroom instructional activities to solve for real-life problems identified by the respective company representatives. While our Community Partners list is growing, it includes partners such as SitelogicIQ, Auma Actuators, Range Resources, Catalyst-Connections, All-Clad Metal Crafters, Universal Electric Corporation, Consol Energy and Mark-West Energy Partners.

Beginning in the 2017-2018 school year, Canon-McMillan School District became the first school district in the state of Pennsylvania to implement Code to the Future, a full immersion computer science curriculum, at our K-4 levels. Canon-McMillan administration understood the growing concern, as indicated in the US Department of Labor and industry reports, that there was projected a significant job gap in positions requiring skill sets in computer science. The district addressed this concern by exposing students to such programming at the earliest levels of their educational experience. Following the government-ordered school closures due to the COVID Pandemic, the Code to the Future Company closed due to staffing and funding issues but the district continues to offer aspects of the coding program.

Although the award-winning Canon-McMillan School District has building level test scores within the range that the Pennsylvania Department of Education considers to be, average to above average, we continue to focus on student growth at each of our schools with the goal to continue to increase each individual school's overall performance.

An intentional multidisciplinary teaming approach was developed to responsibly plan for the budgeting of the Elementary and Secondary School Emergency Relief (ESSER) Fund allocations, made available to the district due to the COVID pandemic. The team was careful to ensure the funds would primarily address one-time expenditures, rather than those with recurring costs, which would create a non-sustainable financial burden once the ESSER funds expire in 2024. Emphasis was placed on expending funds for

items such as curricular programming, facilities upgrades, substitute teacher costs, technology, mental health services, and supplies.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

Governmental funds including the general, capital projects, capital reserve, debt service and athletic reported a decrease combined fund balance of \$71.3M, which is a decrease from 2020-2021 of \$99.5M. This decrease primarily represents expenditures related to the new Middle School Project. A combined net decrease \$28.2M reported for 2021-2022.

Revenues: The School District's general fund received \$101.9 million during 2021-2022 compared with \$95.2 million for 2020-2021. Canon–McMillan received 71% of its funding from local sources, 26% from state sources, and 3% federal sources which was a slight shift from 2020-2021 (72.4%, 26.3%, and 1.3% respectively). This shift was due to the continued influx of Covid-19 related federal grant monies. Real estate tax receipts continue to be the primary source of revenue for the general fund. The property assessments, from which real estate tax receipts are based, continue to increase. Without a significant increase in state funding, it is anticipated that future annual millage rate increases are likely, especially if the District continues to pursue Capital Projects.

Earned Income Tax (EIT) is the second most significant local revenue source funding general fund operations and it continued to increase despite appearing to plateau or level off a few years ago. The mandated countywide consolidation effort which began in 2012 made the receipt of these revenues more efficient. The District will continue to monitor this taxing effort as it will have both short and long term impacts to the Earned Income Tax collection. Prior to COVID19, it was anticipated that the School District financially positioned very well as economic growth continues and the financial health of the local economy is not solely dependent on any one of several major employers, a year post Covid-19 shutdown the district is once again seeing economic growth slowly rebounding. Another large local tax revenue source for the School District is the Realty Transfer Tax, which taxes one half percent on the sale of homes in our communities. The rates on both this tax and the Earned Income Tax rate are not able to be changed per state law. Homes in our communities range from starter homes which are attractive to young families, to expansive properties. Properties in our district were on the rise due to: recovering housing market, lower borrowing costs and looser mortgage qualifications. The impact COVID19 has on all these things will most likely present themselves in the next three to five years, the district will be closely monitoring all these areas.

Expenditures: Total general fund spending for 2021-2022 was \$95M for the year compared with \$87.5 million for 2020-2021. Instructional programs expended \$50 million, or 53% of all general fund spending compared with \$46 million or 52.6% in 2020-2021.

It is anticipated the District will continue to perform better than many communities in terms of revenue streams. Additionally, there have been improvements and additions to the highways creating increased access to major markets and making the Canon-McMillan School District a location that businesses are sure to find attractive.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes, state and federal subsidies (governmental activities) from other functions that are intended to recover a portion from user fees and charges (business-type activities). The governmental activities include general costs of the District such as instruction, administration and community service. The largest major fund in governmental activity is the General Fund.

The General Fund and Capital Projects Fund are the two major funds under governmental activities.

The General Fund accounts for all transactions of the School District which are not required to be accounted for in another fund. The School Board is empowered by Article 5, Section 507 of the Public School Code to levy and collect necessary taxes in addition to the annual State appropriation in order to pay for any indebtedness that may be created and to enable it to establish, enlarge, equip, furnish, operate, and maintain the operations of the School District. All other funds are designated for specific purposes.

The Capital Bond Funds have activity restricted to capital improvements and the purchase of long-term equipment and are aggregated into a single presentation, Capital

Projects Fund. The District has one non-major fund: a District Activity Fund, all of which are aggregated into a single presentation, Non-Major Funds.

The only other major fund is the Food Service Fund and it is a business-type activity fund which accounts for the cafeteria program in each of the District's eleven schools. The District contracted these services through an RFP process with Nutrition Inc. to provide food service management. The Retirement Obligations Fund is an internal service fund and accounts for the financial transactions related to the other post employment activities of the School District.

Fund Financial Statements

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

Governmental funds - Most of the District's activities are reported in governmental funds which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which focuses on near-term inflows and outflows of readily available resources as well as balances of readily available resources at the end of the fiscal year. Such information is useful in evaluating a District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers can understand the long-term impact of the government's near-term financing decisions. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements and can be noted on Pages 4 and 6 in the financial statements.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. While the District maintains only one proprietary fund type, the Food Service Fund, it provides more detail and additional information than government-wide statements, such as cash flows.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's operations. The District maintains student funds as Custodial Funds. The District acts as a custodian and administers this fund on behalf of the students and their organizations. Since these funds are custodial in nature, the District does not measure the results of operation. However, acting as a custodian of these funds, the Business Office had found areas of concern in regard to the internal controls and added further controls as a result.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position:

Statement of Net Position As of June 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and Other Assets	\$ 111,375,824	\$ 86,717,320	\$ 5,879,774	\$ 6,604,783	\$ 117,255,598	\$ 93,322,103
Non Current Assets	132,495,982	164,680,903	345,305	848,073	132,841,287	165,528,976
Deferred Outflows	19,907,967	19,335,265			19,907,967	19,335,265
Total Assets and Deferred Outflows	263,779,773	270,733,488	6,225,079	7,452,856	270,004,852	278,186,344
Current and Other Liabilities	16,981,932	20,500,106	119,410	208,459	17,101,342	20,708,565
Non Current Liabilities	323,379,651	298,107,546			323,379,651	298,107,546
Deferred Inflows	23,580,517	37,921,709			23,580,517	37,921,709
Total Liabilities and Deferred Inflows	363,942,100	356,529,361	119,410	208,459	364,061,510	356,737,820
Invested in Capital Assets	(13,784,410)	(12,508,199)	345,305	848,073	(13,439,105)	(11,660,126)
Restricted	19,535,645	26,107,646	5,521,838	5,284,807	25,057,483	31,392,453
Unrestricted	(105,913,562)	(99,395,320)	238,526	1,111,517	(105,675,036)	(98,283,803)
Total Net Position	\$ (100,162,327)	\$ (85,795,873)	\$ 6,105,669	\$ 7,244,397	\$ (94,056,658)	\$ (78,551,476)

Assets, Liabilities & Net Position

The School District's total assets increased \$8.1 million during 2021-2022 to a total of \$278,186,344. 33.5% is comprised of current assets: cash and cash equivalents, investments, receivables (delinquent taxes), and other receivables from federal and state sources, insurance reimbursement, and other School District funds including Capital Projects. The remaining 66.5% assets are attributable to noncurrent assets comprised of long-term receivables and capital assets net of depreciation.

Current liabilities decreased \$7,323,690 during 2021-2022 to a total of \$356,737,820. Beginning June 15, 2014 GASB #68 became effective and is reflective in the future statements presented in this report. This statement was made to address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and have certain characteristics. The application of this statement has resulted in the school district being required to include a proportionate share of the PSERS unfunded liability within its financial statements. It is important to note that the District is mandated to participate. Typically we would have only seen things like bonds payable, accounts payable, salaries and benefits payable and other post employment benefits

payable represented in this section. This section traditionally and currently also reflects, accounts payable balances that are primarily the result of expenditures incurred prior to June 30, 2022 and paid subsequent to June 30, 2022. Accrued salaries and benefits are primarily the result of salaries earned by teachers as of June 30, 2022 and paid during the summer 2022.

The District's total net position in 2021 was a deficit (\$94M), June 2022 net position decreased (\$78.5M) a total of \$15,505,182 during 2021-2022. This reflects post GASB #68 activity, which was a main contributor to the large change from 2013-2014 to 2014-2015 but decreased in 2016-2017 and continues to level off in 2019-2020, 2020-2021. The net position decrease is comprised of: \$(11,660,126) in invested capital assets, net related debt and inclusive of long-term receivables; restricted funds comprised of capital projects 31,392,453, retirement obligations and designated purposes. Unrestricted funds are reflective of the inclusion of GASB #68 into the financials with \$(98,283,803).

RESULTS OF OPERATIONS

Fiscal year ended June 30, 2022

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Program Revenues:						
Charges for Services	\$ 1,610,306	\$ 1,655,815	\$ 121,026	\$ 444,625	\$ 1,731,332	\$ 2,100,440
Operating Grants and Contributions	14,586,100	17,312,594	1,152,925	2,799,557	15,739,025	20,112,151
General Revenues:						
Property Taxes	56,014,190	58,418,196			56,014,190	58,418,196
Other Taxes	9,680,249	11,017,905			9,680,249	11,017,905
Grants Subsidies and Contributions	12,684,728	13,416,365			12,684,728	13,416,365
Other	1,940,822	595,504	916,650	550,398	2,857,472	1,145,902
	<u>96,516,395</u>	<u>102,416,379</u>	<u>2,190,601</u>	<u>3,794,580</u>	<u>98,706,996</u>	<u>106,210,959</u>
Expenditures:						
Depreciation	1,858,378	1,819,087			1,858,378	1,819,087
Instruction	48,304,515	47,218,383			48,304,515	47,218,383
Instructional Student Support	5,886,605	5,566,516			5,886,605	5,566,516
Administrative and Financial Support	9,041,718	8,178,418			9,041,718	8,178,418
Operation and Maintenance of Plant	8,045,277	8,416,733			8,045,277	8,416,733
Pupil Transportation	5,097,217	6,548,644			5,097,217	6,548,644
Student Activities	1,791,331	1,751,055			1,791,331	1,751,055
Community Services	161,152	165,567			161,152	165,567
Debt Service	11,330,316	7,727,126			11,330,316	7,727,126
Retirement Obligations			326,380	239,598	326,380	239,598
Transfers	890,259	546,305			890,259	546,305
Food Service			1,580,537	2,416,254	1,580,537	2,416,254
	<u>92,406,768</u>	<u>87,937,834</u>	<u>1,906,917</u>	<u>2,655,852</u>	<u>94,313,685</u>	<u>90,593,686</u>
Change in Net Position	<u>\$ 4,109,627</u>	<u>\$ 14,478,545</u>	<u>\$ 283,684</u>	<u>\$ 1,138,728</u>	<u>\$ 4,393,311</u>	<u>\$ 15,617,273</u>

Revenues

Local taxes account for 68% of all revenue (pg.7). The District raised taxes in 2022. The district currently receive approximately \$4,932,572 per each mill of real estate tax, and a tenth of a mill is approximately \$493,257. This figure takes into account deducting for un-collected taxes (discount, collection rate, etc...). Reassessment took place in 2016. The District is still initiating and defending appeals from reassessment and projects this to be an annual on-going process moving forward. The remaining revenues are Federal and State subsidies which totaled 32% of additional revenue for fiscal 2022.

Expenditures and Other Financing Uses-Governmental Funds

Operating expenditures decreased \$(3,720,000) in 2021-22 to a total of \$90.6 million. This decrease is very different than last year, where expenditures increased \$1,976,155. Instructional services account for 52% of total expenditures. It is the most influential factor in the total expenditures from fiscal 2022 and had a decrease of \$1,086,033 from 2021. Post pandemic ramifications still noticeable in 2022. In non-pandemic times we usually see this increasing due to state mandated employer contribution increases along with new staff, salaries and other fringe benefits.

The following table shows the District's nine largest functions at total cost and net cost (total cost less revenues generated by the activity). This table also shows the net costs offset by the other unrestricted grants subsidies and unrestricted contributions to show the remaining financial needs supported by local tax efforts and miscellaneous revenues.

Fiscal Year Ended June 30, 2022 Governmental Activities

Function/Program:	Total Cost		Percentage	Net Cost		Percentage
	2021	2022	Change 2021-2022	2021	2022	Change 2021-2022
Depreciation	\$ 1,858,378	\$ 1,819,087	-2.1%	\$ 1,858,378	\$ 1,819,087	-2.1%
Instruction	48,304,515	47,218,383	-2.2%	37,284,003	34,592,770	-7.2%
Instructional Student Support	5,886,605	5,566,516	-5.4%	5,310,358	4,995,823	-5.9%
Administrative and Financial Support	9,041,718	8,178,418	-9.5%	8,330,552	7,169,081	-13.9%
Operation and Maintenance of Plan	8,045,277	8,416,733	4.6%	7,065,295	7,138,783	1.0%
Pupil Transportation	5,097,217	6,548,644	28.5%	3,720,951	5,076,881	36.4%
Student Activities	1,791,331	1,751,055	-2.2%	1,480,339	1,293,009	-12.7%
Community Services	161,152	165,567	2.7%	161,152	163,117	1.2%
Long Term Debt Interest	11,330,316	7,727,126	-31.8%	10,109,075	6,174,569	-38.9%
Total Governmental Activities	91,516,509	87,391,529	-4.5%	75,320,103	68,423,120	-9.2%
Less: Unrestricted Grants, Subsidies and Contributions				(12,684,728)	(13,416,365)	
Total Needs From Local Sources				\$ 62,635,375	\$ 55,006,755	-12.18%

Explanation of Expenditure Category Content:

Depreciation – Depreciation expense is an application of the matching principle whereby the cost of fixed assets used up during a period is matched with the revenues generated by their use. While depreciation expense is not a use of cash, the underlying concept that depreciation expense should bear some relationship to principal debt payments is most important. In 2008-2009, we reflected the results of our outside appraisal of fixed assets and believed we were current in the cost of those assets. In subsequent years, we have added additional updates that were shared by our outside appraisal company. The district will be engaging in another appraisal of our fixed assets in conjunction with the capital improvement plan, in the meantime, annual updates will be provided.

Instruction - Activities designed to provide grades K-12 students with learning experiences to prepare them for activities as citizens, family members, and non-vocational workers as contrasted with programs designed to improve or overcome physical, mental, social and/or emotional handicaps.

Instructional support services include those activities associated with assisting, supporting and directing the instructional staff on providing learning experiences for students. Program areas included in this section are audiovisual services, computer services, library, curriculum development and staff development.

Administration services are those activities concerned with establishing and administering policy in connection with operating the School District. Program areas include board services, tax collection, personnel services, legal services, special legal counsel, superintendent services, community relations and office of the principal.

Financial services cover the Business Office operations, warehousing and distributing services and duplicating services. The cost reflects the increase in centralization of the maintenance cost of duplicating equipment. Audit preparation and fixed asset appraisal are also key components of this area. Accounting software and associated modules are an integral part of the business office.

Operation and maintenance services cover the activities concerned with keeping the physical plant, comfortable and safe for use and keeping the buildings and grounds in effective working condition and in a good state of repair. District-wide maintenance projects included roof installation, carpet replacement, ceiling tile replacement, fire and security system repairs, field repairs and playground improvements and roadway and parking lot improvements. Preventive maintenance programs include filter replacements with facility mechanical systems, power system upgrades, HVAC system renovations and high efficiency energy management through lighting conversions to low wattage T8 LEDs. Safety and security is continually addressed with the latest installations involving door barricade systems for every classroom and additional interior and exterior security cameras. The District also contracts the services of police officers/school resource

officers from our local municipalities. 2018 marked the beginning of a district wide initiative that would be first in the District. The district implemented a plan that would phase in full-time contracted SRO's for every building, and by the start of school in 2019 that plan completed. The district plans to continue to add more safety programs and initiatives.

Transportation in Canon–McMillan includes regular education students, special education students, parochial students, inter-district students attending agricultural and vocational-education students attending the Western Area Career and Technology Center and the Parkway West Career and Technology Center.

Student activities encompass those co-curricular programs which supplement the regular instruction program, including such activities as band and athletics.

Community services reflect those activities concerned with providing community services to students such as recreational activities and contributions to Canonsburg Public Library.

Debt services include interest payments on long-term debt obligations and refund of prior year receipts.

BUDGETING PROCESS

The fiscal 2022 General Fund Budget was approved by the Board of School Directors on June 29, 2022. The state passed their budget on July 8, 2022. The school district budget included proposed total expenditures of \$100,782,672 and proposed revenues of \$100,910,447. The revenues were \$127,775 more than revenues, this forecasts a surplus fund balance. The budget also included a slight tax increase from 11.9529 to 12.0000 mills.

The designation of fund balance was set aside to anticipate things like last minute state budget changes or lack of state budget, GASB 75 (OPEB) contributions, class size monitoring, the unknown financial impact of future tax assessment appeals and emergency monies for building repair. For example: the stadium turf and track were deemed unsafe for play which resulted in a large unanticipated expense in 2014-2015 and 2015-2016. The budget plan continues to include technology improvements, like one to one device initiative, increased bandwidth and technology needed in our current post pandemic environment, bus replacements, police and other security measures as well as deferred maintenance programming as outlined in the District's five-year planning. The anticipated unknown in the amount of funds available for the state funding formula and reduction in grants monies had some budgetary realignment impact. A big factor in the budgeting process continues to be tax assessments resulting from the county wide reassessment process (see Appendix B). Lastly, the budget also included monies for post-retirement healthcare benefits (GASB).

FUND BALANCE ANALYSIS—GOVERNMENTAL FUNDS

	General Fund	Capital Projects Fund*	District Activities Fund
June 30, 2021	\$10,080,883	\$ 89,272,591	\$ 70,939
Increase (Decrease)	\$ 598,791	\$ (28,737,931)	\$ 17,000
June 30, 2022	<u>\$10,679,674</u>	<u>\$60,534,660</u>	<u>\$ 87,939</u>

*Capital Projects Fund comprised of Construction Fund of \$47,472,018 and Capital Reserve Fund of \$13,062,642.

The fund balance for the General Fund at June 30, 2022 included a surplus of \$598,791. This is a result of budgeting a surplus and federal supplanted funds in the prior year budget. The total fund balance increased to \$10,679,674. It is important to note that the balance sheet delineates the portions of these funds that are assigned, committed, restricted and unassigned. The designation may limit the spending of those funds without further actions. The typical influencing factors are the district long range planning for current and future debt service, unanticipated interim taxes, increases to real estate beyond projections and the District halting spending early. These typically result in additional revenues not budgeted as the outcome was unknown until after the budget was set. However, this year the surplus was larger than it typically is due to COVID 19 and school closures and staff shortages during the school year. Additionally, also due to the pandemic, typical expenditures were not paid or remitted and other not budgeted were expensed. It was known that while there would be expenses not expended and additional unprecedented ones in the 21-22 school year that were not yet known. During the budgeting process revenues were also uncertain. It was assumed that any additional surplus as a result of the closure could be offset in the next year using these surplus funds.

In regard to fund balance, the fund balance policy was established in response to multiple years that the fund balance dipped to a deficit. A recommendation made by the Auditor General was to adopt a policy to prevent this from occurring along with tightened controls. The District complied with both recommendations and a positive fund balance is the result. As a result of budgeting challenges especially in regard to funding, tax appeals, mandated retirement contributions and limits on ability to tax, the District made additional fund balance allocations and will be reviewing the Fund Balance Policy to include these areas. The District's unassigned fund had reached the optimal recommended % but has not dropped, which resulted from fund being committed to Capital Projects. The recommended minimum fund balance limit is between 8%-10%.

DEBT ADMINISTRATION

As of June 30, 2022, the District had long-term debt obligations totaling \$303,607,546. In 2017, this increased due to the borrowing for Capital Project: High School and Stadium Projects. Then another borrowing was done for the Middle School Project. The long term Capital Improvement Bonds, Notes and Bond Premium is \$191,218,091 as of June 30, 2022. This amount also includes \$96,130,000 to record as per GASB the net pension liability, \$5,548,400 reported as per GASB 75 for Health Insurance Premium Liability and \$5,287,644 for other post-retirement benefits and compensated absences. More detailed information relating to the District's long-term liabilities is included in the notes to the financial statements.

HISTORY AND FUTURE ECONOMIC FACTORS

The Canon–McMillan School District, encompassing a land area of 57 square miles, is located in western Washington County and extends north to the Allegheny County border. The Townships of Cecil, North Strabane and Canonsburg Borough comprise the School District. The newest census was completed in 2020. The U.S. Census Bureau on their website has a 2020 total population for the district of 40,053; this represents a 19% increase over the 2010 total population of 33,671.

Higher education at Canon-McMillan was initiated in the locale by the Rev. John McMillan in the log cabin that is now located on the front campus of the current Canonsburg Middle School. Since 1791, when Col. John Canon donated this lot and contributed money to provide for the Canonsburg Academy, there has been a secondary school on this site.

After 1800, the Canonsburg Academy was chartered as Jefferson College and later merged with Washington College to found the present Washington and Jefferson College in Washington. The Rev. McMillan's Log College is said to be the first school of higher learning west of the Allegheny Mountains. The Canon-McMillan School District was created in the 1950's following the jointure of the Canonsburg Borough, Cecil Township and North Strabane Township schools. On September 15, 1954, the name Canon-McMillan Joint School System was attached to the merger. With the creation of Canon-McMillan, the students from all three municipalities began attending a single Canon-McMillan High School. North Strabane provided the land for the new high school and ground was broken for construction of the school on December 16, 1957.

Canon-McMillan has graduated such athletic standouts as Mike Hull (Class of 2008), who was signed on as a free-agent linebacker for the Miami Dolphins; the late Doug Kotar (Class of 1970), who played as a running back for the New York Giants football team, William Schmidt (Class of 1965), who won a bronze medal in the javelin at the 1972 Olympics, and such international artists as twins Joseph and James Sulkowski (Class of 1969), who have displayed their works in all 50 states and abroad. Many of the District's outstanding alumni have been honored at the District's annual Hall of Honor award ceremony.

Cecil Township, which accounts for nearly 36% of the School District's land area, was once primarily rural and agricultural in character but now includes commercial, residential and industrial areas. A major development in this township was Southpointe which includes an eighteen-hole golf course, hotels, restaurants, recreation, office complexes, and two universities. A new four hundred acre development similar to "Southpointe" was previously approved by Washington County and boasts the following: offices, stores, restaurants, a nine-hole golf course and new housing developments. Southpointe II is under development with the anticipation of additional real estate projects. Even though the project was once stalled due to the poor economy, its progress is back on track. In 2014, Mylan Corporation (which has since, become Mylan Pharmaceuticals Head Quarters) opened a 280,000 square foot corporate building in Southpointe II. Southpointe and Southpointe II are currently home to businesses such as: Consol Energy, Homewood Suites, NCO Financial Systems, Ansys Inc., Black Box, Range Resources, Mark-West, etc. Cecil Township also includes some of the highest paying taxpayers within the District. In addition to the new businesses commercial and industrial growth, new housing developments continue to expand within Cecil Township. The commercial, industrial and residential development will continue to also create many new jobs and increase real estate and earned income tax revenue for the School District.

North Strabane Township accounts for nearly 38% of the District's land area and is similar to Cecil with a mix of residential and commercial areas along with an industrial park, several motels and restaurants. North Strabane, like Cecil Township also includes some of the largest employers or taxpayers in the district. It is also home to some of the largest businesses: to mention only a few-- 84 Lumber, Pennsylvania Transformer Technology, and the Meadows Racetrack and Casino. The Meadows opened their temporary casino in 2007-2008 with plans to have their permanent casino facility ready by during the 2010-2011 school year. The facility actually opened in the spring of 2009. The district received interim monies for the permanent facility and in 2009-2010 the facility was fully on the tax books. The casino further expanded in 2011-2012 by building a parking facility. Resolution occurred during the 2012-2013 school year between the district, county, township and Meadows Casino in regard to past and future real estate taxes. The resolution resulted in a reduction in tax assessment for the property. Much like Cecil Township, North Strabane also had a number of new residential developments that will likely bring additional students and additional real estate and earned income tax revenue for the district.

Canonsburg Borough makes up the balance of the District and is typical of a small city. It has a downtown shopping area, restaurants, motels, some industrial areas and residential areas. Canonsburg Borough boasts the home of the famous, "Sarris Candy" business, which is also one of the largest businesses in Canonsburg. In 2009, ground breaking on a new larger public library was undertaken. The library opened in 2011 and has partnered with the school district. The library brings added benefit to the school district and the community. The community looks forward to the addition of the Washington Hospital Outpatient Center.

The Canon-McMillan School District is still experiencing some student growth and community economic development. It is important to note that some of the student growth is not in increased student counts per building but rather at cyber/charter

schools. The district, despite the pandemic, has seen improvement in the economic conditions of our community. As evidenced in increased real estate, interim taxes and earned income growth since the prior year, the District is experiencing growth as a result of the new housing developments and local oil and gas industry job growth.

The School District is near the city of Washington, the county seat of Washington County. Part of the Pittsburgh Primary Metropolitan Statistical Area (PMSA), the School District is approximately 20 miles southwest from the City of Pittsburgh, the government seat of Allegheny County. Access to Pittsburgh is provided by US Route 19 and Interstate 79 which bisect the School District North to South. US Route 40 and Interstate 70 are near the School District from east to west. Currently, Washington County is developing two industrial parks located within 15 miles of the school district which will continue to increase the employment rate for District residents. The University of Pittsburgh Medical Center, located approximately 20 miles from the School District, provides extensive and exceptional health care for all surrounding counties. Additionally, acute-care service is provided by Canonsburg General Hospital (which is located within the School District) and Washington Hospital.

With the forward-thinking actions and initiatives of Canon–McMillan School District’s Board of Education, the provision of high-quality education of our students will continue through the 21st century.

The District is prepared to meet the challenges of offering a high-quality education to all students while effecting cost savings whenever possible.

CAPITAL IMPROVEMENT PLAN

The School District continues to track residential growth and the potential enrollment growth that may result. Consequently, the school district will continue exploring options to build a new school building (including a new middle school) and/or renovate and expand existing structures. Capital improvements will continue as a focal point over the next five to ten years. The District engaged the services of Dr. Shelby Stewman, demographer, from Carnegie Mellon University, to study the population trends (past, present and future) so that precise planning could be put into place.

As a result of previous demographic studies, the Board of School Directors procured the services of HHSDR architectural firm to make recommendations in regard to facilities and future needs. In May, 2014, a Conceptual Facilities Plan was publicly presented to include the first project, an 800-student elementary school in Muse, which was completed in August 2017. During the 2016-2017 school year, the district also started the High School renovation and Stadium projects. They are planned for completion in the 2019 school year. The new middle school construction is in process with a completion date of 2022-2023. The initial demographic study, completed by Dr. Stewman, was utilized in conjunction with the recommendations of HHSDR to define a footprint for construction/renovation projects for the next three to 10 years. The district has determined to once again contract Dr. Stewman to update our demographics for the next phases of the facilities plan. An updated plan can be found on the district’s website under the most current District Snapshot.

Major capital projects have been funded through bond proceeds and school district reserves. Unless the School District budgets funds for these projects it is possible that these needs will result in the addition of debt. However, the School Board of Directors recognizes the importance of capital projects and began to fund the Capital Project Fund (Board Policy 620). Another key factor in capital projects is the District's borrowing ability. This is monitored and assessed annually by the Board Budget and Finance Committee. GASB 75 requires school districts to list all their post health care retirement benefits on the District financials, the District fulfilled the recommended amount from 2009 up thru the 2017. The latest report indicated the district is fully funded and future recommendations may be forthcoming. Regardless, the district will continue to consider this upon completion of future budgets, as well as continued reviews of our GASB 75 obligations to ensure the impact to the district's borrowing abilities is minimized.

PENNSYLVANIA SCHOOL EMPLOYEES RETIREMENT SYSTEM

The extended decline in the stock market resulted in prolonged negative returns on investment for the State retirement system. It is anticipated that the fund will require significantly increased contributions from all of the school systems within the Commonwealth. The rates are still in the collared time frame at incrementally higher contribution rates after which time, projections from the retirement system have indicated that the rate charged to school systems could be impacted by much higher contributions.

TECHNOLOGY

Canon–McMillan School District has invested several million dollars to acquire technology in the form of equipment, software, and infrastructure. Attempts to provide budgeted funds for replacement and upgrade of this technology in an effort to remain reasonably current have been modestly successful. It is anticipated that significantly higher levels of funding will be required in the near term to maintain the increase in technology. Because these programs are no longer state funded, support for maintaining up-to-date technology has been needed. Thus the last three-five years the district has been working on a 1 to 1 device program and due to that was well positioned when the school closure occurred in March. Moving forward this will be a budgetary expense that will need funded until a replacement program is put into place.

The District has incorporated technology in all phases of operations. The District parents, students, administrators and others rely on the social media communication through the use of district-maintained accounts such as Facebook, Twitter and Instagram for pertinent district data. The business office has used the website to provide transparency by displaying current budgetary, audit and other important financial data. District administrators are using the website to share information about their buildings or areas of responsibility. Teachers are using the District website as a communication channel for both students and parents. Parents are referencing the website regularly for updates regarding their children's academic progress, to monitor and make notations on their student lunch accounts and to communicate with teachers on a regular basis. Technology is also embedded in the daily learning experiences of our students. It augments already sound teaching methodology in a manner that aligns

with and highlights 21st Century learning skills and justifies yet another reason why the Canon-McMillan School District provides a premier learning experience for our students.

REVENUE

The stability of revenue to meet the operational needs of the School District is, in the immediate period, is sound and stable considering the comparative tax burden on the School District's residents, as compared with other school districts in this region. This is mainly attributable to the residential and commercial growth that the district is still experiencing. However, the full financial impact of Covid-19 from a revenue perspective is not fully known, additionally the political environment in the Pennsylvania state legislature may result in changes to funding levels for this school district that could impact subsidy revenue, and simultaneously limit or eliminate the taxing power as well as receiving lower funding amounts. The federal government in recent years provided stimulus funding that, while providing an influx of monies to the district budget, has expired. Another very critical factor greatly impacting the District is the status of residential and commercial tax appeals especially as a result of Covid-19.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors, and other interested parties with a general overview of the School Board's finances and to illustrate the School Board's accountability for funds it receives. Questions concerning this report or a request for additional information should be addressed to Joni Mansmann, Director of Business and Finance, Canon–McMillan School District, 1 North Jefferson Avenue, Canonsburg, PA 15317, telephone number (724) 746-2940.

**CANON-McMILLAN SCHOOL DISTRICT
CANONSBURG, PENNSYLVANIA**

**Management's Discussion and Analysis (MD&A)
June 30, 2022**

Appendix A: Regional and Economic Data

Appendix B: District Enrollment, Debt and Other Tax Data

APPENDIX A

**REGIONAL AND ECONOMIC DATA OF
CANON-McMILLAN SCHOOL DISTRICT
(Washington County, Pennsylvania)**

**REGIONAL AND ECONOMIC DATA OF
CANON-MCMILLAN SCHOOL DISTRICT
(Washington County, Pennsylvania)**

The School District is located in the northeastern part of Washington County, Pennsylvania and covers approximately 57 square miles. Canonsburg Borough, the geographical center of the School District, is located approximately 20 miles southwest of Pittsburgh and 9 miles northeast of the City of Washington, Pennsylvania. Participating municipalities within the School District include Canonsburg Borough, Cecil Township and North Strabane Township.

Higher Education

The School District has access to numerous college and universities that offer a variety of undergraduate, graduate and non-credit programs. Washington and Jefferson College is a private liberal arts college located south of the School District in the City of Washington, Pennsylvania. Waynesburg University is located to the south of the School District in the Borough of Waynesburg, the county seat of Greene County and Wheeling, West Liberty and Bethany Colleges are located in the neighboring state of West Virginia. Numerous institutions of higher education that are located in the City of Pittsburgh include the University of Pittsburgh, Carnegie-Mellon University, Duquesne University, Robert Morris University, Point Park University, Chatham University and Carlow University.

Medical Facilities

The University of Pittsburgh Medical Center, located approximately 20 miles from the School District, provides extensive and exceptional health care for all surrounding counties. Additionally, Washington Hospital, located in the City of Washington, is an acute-care general hospital. Canonsburg General Hospital, which is also a general acute-care facility, is located in nearby North Strabane Township. The West Virginia University Medical Center is located approximately thirty miles from the School District in Morgantown, West Virginia. The School District is also served by Mon Valley Hospital, St. Clair Memorial Hospital and a satellite Children's Hospital in Bridgeville.

Transportation Facilities

There is a variety of transportation in Washington County, including three Class 1 railroads and two short lines, as well as 19 trucking companies, three bus lines and three taxi companies based in the County.

Interstate Routes 70 and 79 and U.S. Routes 19, 40 and 43 traverse the School District and provide direct access to the City of Pittsburgh (approximate driving time is thirty minutes) as well as the city of Wheeling, West Virginia. Air service is provided by Pittsburgh International Airport.

Public Utilities

Electricity for the School District is provided by West Penn Power Company. Water service is obtained through the Western Pennsylvania Water Company. Sewage is presently processed by the Canonsburg-Houston Joint Sewer Authority and North Strabane Township Municipal Authority.

Public Safety

Police protection is provided in every municipality by either a local department or the Pennsylvania State Police. Fifty-two communities within the County have their own volunteer fire department and service and mutual-aid agreements provide fire protection to smaller communities.

Recreation

Washington County offers a variety of scenic attractions, historic sites, recreational areas and points of interest, making it a popular destination for vacationers and tourists. Fourteen sites in the County have been designated as National Historic Landmarks. A diversity of recreational facilities exist in Washington County including campgrounds, swimming pools, lakes, municipal parks and ball fields.

Major Employers

Top Ten Employers located within or near the School District are listed below:

Employer	Type of Business	Number of Employees
1. Crown Castle USA, Inc	Communication	1,125
2. Washington Trotting Association	Casino/Racetrack	744
3. Ansys Inc. & Subsidiaries	Communication	641
4. ARC Human Service Inc	Human Services (Canonsburg)	558
5. 84 Lumber Company	Industrial	510
6. Starline Holdings LLC	Industrial	444
7. Mylan Inc.	Pharmaceutical	432
8. Equitrans Midstream Corporation	Gas	414
9. ABARTA Coca Cola Beverages	Industrial	385
10. Canon-McMillan School District	Education	375
11. Canonsburg General Hospital	Hospital	347

SOURCE: School District Tax Collector

Major Tax Payer

Top Ten Tax Payers located within or near the School District are listed below:

Taxpayer	Location/Type	Total Value
1. PA Meadows LLC	North Strabane/Casino/Garage	\$147,186,000
2. Mylan Inc.	Cecil/Pharmaceutical	\$51,027,200
3. Southpointe Two Lot 2 6 LP	Cecil/Commercial	\$40,943,700
4. One Thousand Four Hundred Main Tier	Cecil/Apartments	\$38,624,300
5. Quattro Inv. Group	Cecil/Commercial	\$29,840,800
6. Southpointe Retail	Cecil/Commercial	\$29,454,700
7. Southpointe II Town Square Bldg.	Cecil/Commercial	\$28,327,600
8. Canonsburg General Hospital	North Strabane/Building	\$24,648,600
9. MP KOFJ JV LLC	Cecil/Commercial	\$23,912,700
10. Southpointe Htl & Conf Center LP	Cecil/Comm Motel & Plaza	\$23,475,400

SOURCE: Washington County Tax Assessment Office

Population Composition – 2000, 2010 and 2020

	2000	2010	2020	2000-2010 % Change	2010-2020 % Change
North Strabane Township	10,057	13,408	15,700	33.32%	17.1%
Cecil Township	9,756	11,271	14,609	15.53%	29.6%
Canonsburg Borough	8,607	8,992	9,744	4.47%	8.4%
Canon-McMillan School District	28,420	33,671	40,053	18.48%	19.0%
Washington County	202,897	207,820	209,349	2.43%	0.7%
Pennsylvania	12,281,054	12,702,379	13,002,700	3.43%	2.4%

SOURCE: United States Census Bureau weblink: <https://www.census.gov/quickfacts/>

Population Concentration – 2010 and 2020

	2010	Square Miles (Land Only)	Persons Per Sq. Mile	2020	Square Miles (Land Only)	Persons Per Sq. Mile
North Strabane Township	13,408	27.30	491.10	15,700	27.30	575.09
Cecil Township	11,271	26.30	428.60	14,609	26.30	555.48
Canonsburg Borough	8,992	2.30	3,909.60	9,744	2.30	4,236.52
Canon-McMillan School District	33,671	55.90	602.30	40,053	55.90	716.51
Washington County	207,820	857.10	242.50	209,349	857.10	244.25
Pennsylvania	12,702,379	44,819.60	283.40	13,002,700	44,819.60	290.11

SOURCE: United States Census Bureau weblink: <https://www.census.gov/quickfacts/>

Per Capita Income – 2000, 2010 and 2020

	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2000-2010 % Change</u>	<u>2010-2020 % Change</u>
North Strabane Township	\$23,457	\$31,251	\$45,557	33.2%	45.8%
Cecil Township	\$22,340	\$31,481	\$41,473	40.9%	31.7%
Canonsburg Borogh	\$17,469	\$22,286	\$28,109	27.6%	26.1%
Washington County	\$19,935	\$26,041	\$35,537	30.6%	36.5%
Pennsylvania	\$20,880	\$26,678	\$34,352	27.8%	28.8%

SOURCE: United States Census Bureau weblink: <https://www.census.gov/quickfacts/>

Family and Household Income – 2010 and 2020

	<u>Household Income Median</u>		<u>Family Income Median</u>	
	<u>2010</u>	<u>2020</u>	<u>2010</u>	<u>2020</u>
North Strabane Township	\$65,602	\$91,468	\$79,181	\$110,903
Cecil Township	\$62,966	\$81,984	\$68,306	\$100,625
Canonsburg Borogh	\$47,228	\$50,077	\$53,091	\$66,250
Washington County	\$47,615	\$63,543	\$62,397	\$81,533
Pennsylvania	\$49,737	\$61,744	\$62,520	\$81,075

SOURCE: United States Census Bureau:

<https://data.census.gov/cedsci/profile?g=0600000US4212555432>

<https://data.census.gov/cedsci/profile?g=0600000US4212511800>

<https://data.census.gov/cedsci/profile?g=1600000US4211152>

<https://data.census.gov/cedsci/profile?g=0500000US42125>

<https://data.census.gov/cedsci/profile?g=0400000US42>

Population, Poverty and Education – 2019 5-year

	<u>Population</u>		<u>Poverty Level</u>		<u>Education 25 years and Over</u>	
	<u>Total Persons</u>	<u>Total Family Households</u>	<u>Persons Below</u>	<u>Families Below *</u>	<u>High School Graduate</u>	<u>College Graduate</u>
North Strabane Township	14,240	5,912	3.70%	1.0%	96.40%	88.10%
Cecil Township	12,470	5,069	4.90%	2.3%	93.80%	89.70%
Canonsburg Borogh	8,797	3,908	8.50%	7.5%	86.50%	81.90%
Washington County	201,112	86,716	9.90%	7.2%	93.10%	82.30%
Pennsylvania	12,387,178	5,119,249	12.00%	9.3%	88.00%	81.50%

SOURCE: U.S. Census Bureau (2019). *American Community Survey 5-year estimates*. Retrieved from *Census Reporter Profile page for Cecil Township, North Strabane Township & Canonsburg Borough, Washington County, PA*

* Percentages are from last year; current data is unavailable.

U.S. Census Bureau (2019). *American Community Survey 1-year estimates*. Retrieved from *Census Reporter Profile page for Washington County, PA*

U.S. Census Bureau (2019). *American Community Survey 1-year estimates*. Retrieved from *Census Reporter Profile page for Pennsylvania*

<https://censusreporter.org/profiles/06000US4212555432-north-strabane-township-washington-county-pa/>

<https://censusreporter.org/profiles/06000US4212511800-cecil-township-washington-county-pa/>

<https://censusreporter.org/profiles/06000US4212511152-canonsburg-borough-washington-county-pa/>

<https://censusreporter.org/profiles/05000US42125-washington-county-pa/>

<https://censusreporter.org/profiles/04000US42-pennsylvania/>

Housing Units – 2010 and 2020

	Number		Owner Occupied Median Value		Renter Occupied Median Rent	
	<u>2010</u>	<u>2020</u>	<u>2010</u>	<u>2020</u>	<u>2010</u>	<u>2020</u>
	North Strabane Township	5,689	6,245	\$183,600	\$246,500	\$739
Cecil Township	4,655	5,508	\$166,900	\$240,000	\$688	\$1,105
Canonsburg Borogh	4,459	4,308	\$115,200	\$133,900	\$619	\$793
Washington County	93,032	96,602	\$140,600	\$177,100	\$556	\$772
Pennsylvania	5,481,676	5,732,580	\$152,300	\$192,600	\$716	\$938

SOURCE: United States Census Bureau weblink: <https://censusreporter.org/>
<https://census.gov> and <https://data.census.gov>

Unemployment Rates

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>*2022</u>
Washington County							
Civilian Labor Force (000)	107.4	107.4	106.3	107.3	105.1	103.9	104.6
Employment (000)	100.7	101.4	101.6	102.3	95.2	97.1	100.0
Unemployment (000)	6.6	6.0	4.7	5.0	9.9	6.8	4.6
Unemployment Rate	6.2%	5.6%	4.4%	4.7%	9.4%	6.5%	4.4%
Pennsylvania							
Civilian Labor Force (000)	6,472.0	6,531.0	6,424.0	6,492.0	6,463.0	6,324.0	6,448.0
Employment (000)	6,120.0	6,183.0	6,151.0	6,208.0	5,628.0	5,881.0	6,175.0
Unemployment (000)	352.0	348.0	273.0	284.0	835.0	443.0	273.0
Unemployment Rate	5.4%	5.3%	4.2%	4.4%	12.9%	7.0%	4.2%
United States							
Civilian Labor Force (000)	159,187.0	160,320.0	162,075.0	163,539.0	160,742.0	161,537.0	164,746.0
Employment (000)	151,436.0	153,337.0	155,761.0	157,538.0	147,795.0	153,154.0	158,732.0
Unemployment (000)	7,751.0	6,982.0	6,314.0	6,001.0	12,947.0	8,383.0	6,014.0
Unemployment Rate	4.9%	4.4%	3.9%	3.7%	8.1%	5.2%	3.7%

SOURCE: Pennsylvania State Employment Service: www.paworkstats.state.pa.us

<https://www.workstats.dli.pa.gov/Documents/Monthly%20Press%20Releases/clf.pdf>

*July/August, 2022 data, Seasonally Adjusted

APPENDIX B

OPERATING AND FINANCIAL DATA

Enrollment Data

<u>School Year Ending June 30,</u>	<u>Actual Enrollments</u>		<u>Total</u>
	<u>Elementary</u>	<u>Secondary</u>	
2013	2,,686	2,292	4,978
2014	2,728	2,315	5,043
2015	2,756	2,404	5,160
2016	2,779	2,439	5,218
2017	2,777	2,444	5,221
2018	2,819	2,466	5,285
2019	2,841	2,553	5,394
2020	2,767	2,574	5,350
2021	2,766	2,543	5,309 ⁽¹⁾
2022 (current)	2,849	2,460	5,309 ⁽²⁾
<u>School Year Ending June 30,</u>	<u>Projected Enrollments* ⁽³⁾</u>		<u>Total</u>
	<u>Elementary</u>	<u>Secondary</u>	
2023	3,011	2,557	5,568
2024	3,123	2,562	5,685
2025	3,135	2,642	5,777
2026	3,214	2,619	5,833
2027	3,252	2,697	5,949
2028	3,258	2,820	6,078

SOURCE: School District Officials.

- (1) As of October Snapshot as per PIMS Coordinator, revised 1/27/22
- (2) As of 10/12/22 per PIMS Coordinator, not final until 10/31/22 then revised 11/21/22
- (3) * Projections taken directly from Table 12 of the new 2021 Demographic Study, Scenario I Canon-McMillan School District Forecasts per Grade: 2021-2030 projections

SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS

Shown below is a summary of the School District’s outstanding debt:

	<u>Gross</u>	<u>CARF</u>	<u>Project Reimb.</u>	<u>Local Share</u>
General Obligation Debt				
General Obligation Bonds, Series of 2020	\$27,620,000	0.5157	0.2102	\$24,625,988
General Obligation Bonds, Series of 2019	65,080,000	0.5157	0.0025	64,240,956
General Obligation Bonds, Series of 2017	23,610,000	0.5157	0.0000	23,610,000
General Obligation Bonds, Series D of 2014	25,100,000	0.5157	0.0000	25,100,000
General Obligation Bonds, Series B of 2014	6,635,000	0.5157	0.0471	6,473,839
General Obligation Notes, Series A of 2012	18,355,000	0.5157	0.2473	16,014,139
General Obligation Bonds, Series A of 2002 (CABs)	2,748,124	0.5157	0.2019	2,461,990
General Obligation Bonds, Series A of 2001 (CABs)	2,861,498	0.5157	0.2299	2,522,240
General Obligation Bonds, Series of 1999 (CABs)	1,551,107	0.5157	0.2736	1,332,253
TOTAL DIRECT DEBT	\$173,560,729			\$166,381,405
Overlapping Debt				
Canonsburg Borough ⁽¹⁾	\$2,780,000			\$2,780,000
Cecil Township ⁽¹⁾	23,170,000			23,170,000
North Strabane Township ⁽¹⁾	48,595,000			48,595,000
Washington County ⁽²⁾	8,682,284			8,682,284
TOTAL OVERLAPPING DEBT	\$83,227,284			\$83,227,284
TOTAL DIRECT AND OVERLAPPING DEBT	\$256,788,013			\$249,608,689

SOURCE: Local Government Official, District Financial Advisor and Pennsylvania Department of Community and Economic Development.

⁽¹⁾ 100% overlapping.

⁽²⁾ As of September 2022 at 27.1040% overlapping. Proportionate share ratio is determined by dividing the assessed value of the municipalities that comprise the School District by the assessed value of the County, and multiplying that ratio by the outstanding debt of the County, in the total amount.

Debt Ratio Calculations (including issuance of the Bonds)

	<u>Gross Outstanding</u>	<u>Local Share</u>
Net Direct Debt Per Capita	\$7,425.48	\$7,217.88
Percent to Assessed Value	5.23%	5.08%
Percent to Market Value	6.05%	5.88%

*Population (2020 5-yr. estimate): 36,041

Market Value (Pennsylvania State Tax Equalization Board):

Note: As per Financial Advisor – “The local effort debt is calculated using the DOE convention for rounding which results in a slightly different number than using the full percentage values for each project.

*ACS 2020 5 year population website: <https://censusreporter.org/profiles/97000US4204890-canon-mcmillan-school-district-pa/>

Future Financing

The School District and the School Board of Directors are considering the issuance of long-term debt for Capital Projects within the next five years in completion of the major projects from the Long Range Facilities Plan that began in 2014. The School District will also consider capital contributions to aid in funding the projects associated with the Facilities Plan. The School District continually monitors with their financial team undertaking long-term debt to refund current issues if market conditions are appropriate. Finally, the School District will begin work on a new long range facilities plan

Real Estate Tax Collection Data

<u>Year</u>	<u>Market Valuation</u>	<u>Assessed Valuation</u>	<u>Millage</u>	<u>Current Levy</u>	<u>Current Collections</u>	<u>Current Collections as a % of Levy</u>	<u>Total Collections</u>	<u>Total Collections as a % of Levy</u>
2017-2018	2,891,567,333	4,258,889,885	11.0900	47,231,089	43,765,978	92.7	46,770,797	99.0
2018-2019	3,373,971,673	4,513,783,010	11.4005	51,459,383	51,723,797	100.5	51,723,797	100.5
2019-2020	3,392,589,161	4,666,088,245	11.6500	51,459,383	51,723,797	100.5	51,723,797	100.5
2020-2021	3,655,743,254	4,793,034,425	11.9529	57,290,660	54,560,064	95.2	54,560,034	95.2
2021-2022	3,692,429,970	4,932,572,591	11.9529	58,958,547	56,117,786	95.2	56,117,786	95.2

Source: School District Officials and Pennsylvania State Tax Equalization Board

Real Property Taxes, Appeals and Reassessment

The number of tax appeals received by the School District had been on a decline but rose over the past years due to a countywide reassessment. The last reassessment took place in the late 1970’s with a base year set at January 1981. This meant that the valuation date of all new construction thereafter, and for the past thirty years was January 1, 1981. Now as a result of the reassessment all properties (approximately 120,000 countrywide) will now have an assessment based on what their property was worth on July 1, 2015. Washington County property reassessment was scheduled to take place in 2016 with the values to become effective in 2017. As an anticipated result, the District faced a higher than the most recent norm in terms of tax appeals. Since the School District did anticipate a rise in tax assessment appeals, they hired legal representation specifically for these appeals and meet monthly with their real estate attorney and board committee to remain apprised of the status of ongoing appeals. The School Board of Directors also partnered with the largest municipality (North Strabane) to defray legal costs of appeals initiated against the district and municipality.

SOURCE: School District Administrative Officials, Peacock Keller and Chief Assessor.

Tax Anticipation Borrowing

The School District has not issued Tax and Revenue Anticipation Bonds in over a decade. The School Board of Directors revised their fund balance policy in 2010 to ensure monies were set aside for emergencies and unplanned events. This planning has helped the district avoid issuing short term debt. 2015-2016 when the Commonwealth was faced with a budget impasse that was not resolved until well into the following year, the District did not require short term borrowing. In the current fiscal year there is no plan to issue short term.

Basic Financial Statements

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 13,500,677	\$ 341,372	\$ 13,842,049
Investments	64,446,898	5,698,937	70,145,835
Taxes Receivable (net)	2,843,113		2,843,113
Internal Balances	262,710	(262,710)	
State Revenue Receivable	3,033,657	880	3,034,537
Federal Revenue Receivable	1,178,393	30,297	1,208,690
Other Receivables	543,804	145,779	689,583
Inventories	94,672	18,021	112,693
Prepaid Expenses/Expenditures	813,396	632,207	1,445,603
Long Term Receivables	16,562,553		16,562,553
Capital Assets (net)	148,118,350	848,073	148,966,423
TOTAL ASSETS	\$ 251,398,223	\$ 7,452,856	\$ 258,851,079
DEFERRED OUTFLOWS OF RESOURCES			
Pension and OPEB Related	19,335,265		19,335,265
Total Deferred Inflows of Resources	19,335,265		19,335,265
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 270,733,488	\$ 7,452,856	\$ 278,186,344
LIABILITIES			
Accounts Payable	\$ 5,384,036	\$ 20,274	\$ 5,404,310
Accrued Salaries and Benefits	9,006,542		9,006,542
Interest Payable	435,058		435,058
Unearned Revenue	133,882	121,668	255,550
Other Current Liabilities	40,588	66,517	107,105
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable	5,010,000		5,010,000
Notes Payable	490,000		490,000
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	173,551,459		173,551,459
Notes Payable - Net of Related Premiums/Discounts	17,590,043		17,590,043
Net Pension Liability	96,130,000		96,130,000
OPEB - Health Insurance Premium Share Liability	5,548,400		5,548,400
Long-term Portion of Compensated Absences	1,389,484		1,389,484
OPEB Obligation	3,898,160		3,898,160
Total Liabilities	318,607,652	208,459	318,816,111
DEFERRED INFLOWS OF RESOURCES			
Pension and OPEB Related	21,359,156		21,359,156
Long Term Receivable	16,562,553		16,562,553
Total Deferred Inflows of Resources	37,921,709		37,921,709
NET POSITION			
Net Investment in Capital Assets	(12,508,199)	848,073	(11,660,126)
Restricted for:			
Capital Projects	24,519,707		24,519,707
Retirement Obligations	1,500,000	5,284,807	6,784,807
Designated Purposes	87,939		87,939
Unrestricted	(99,395,320)	1,111,517	(98,283,803)
TOTAL NET POSITION	(85,795,873)	7,244,397	(78,551,476)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 270,733,488	\$ 7,452,856	\$ 278,186,344

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Depreciation - Unallocated	\$ 1,819,087	\$ -	\$ -	\$ (1,819,087)	\$ -	\$ (1,819,087)
Instruction	47,218,383	1,319,815	11,305,798	(34,592,770)		(34,592,770)
Instructional Student Support	5,566,516		570,693	(4,995,823)		(4,995,823)
Administrative and Financial Support	8,178,418		1,009,337	(7,169,081)		(7,169,081)
Operation and Maintenance of Plant	8,416,733	76,885	1,201,065	(7,138,783)		(7,138,783)
Pupil Transportation	6,548,644		1,471,763	(5,076,881)		(5,076,881)
Student Activities	1,751,055	259,115	198,931	(1,293,009)		(1,293,009)
Community Services	165,567		2,450	(163,117)		(163,117)
Interest on Long-Term Debt	7,727,126		1,552,557	(6,174,569)		(6,174,569)
Total Governmental Activities	87,391,529	1,655,815	17,312,594	(68,423,120)		(68,423,120)
Business Type Activities						
Food Service	2,416,254	444,625	2,799,557		827,928	827,928
Retirement Obligations	239,598				(239,598)	(239,598)
Total Business Type Activities	2,655,852	444,625	2,799,557		588,330	588,330
Total Government	90,047,381	2,100,440	20,112,151	(68,423,120)	588,330	(67,834,790)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				58,418,196		58,418,196
Other Taxes				11,017,905		11,017,905
Grants, Subsidies and Contributions, Unrestricted				13,416,365		13,416,365
Investment Earnings				345,637	4,093	349,730
Miscellaneous Income				249,867		249,867
Transfers Between Governmental and Business Type Activities				(546,305)	546,305	
Total General Revenues, Special and Extraordinary Items and Transfers				82,901,665	550,398	83,452,063
Change in Net Position				14,478,545	1,138,728	15,617,273
Net Position - Beginning - Restated				(100,274,418)	6,105,669	(94,168,749)
Net Position - Ending				\$ (85,795,873)	\$ 7,244,397	\$ (78,551,476)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	Governmental Funds			Totals
	General Fund	Capital Projects Fund	Non-Major Funds	
ASSETS				
Cash and Cash Equivalents	\$ 8,895,530	\$ 4,520,977	\$ 84,171	\$ 13,500,678
Investments (At Fair Value)	10,884,760	53,562,138		64,446,898
Taxes Receivable (Net)	1,993,113			1,993,113
Due From Other Funds	262,710	6,275,000	7,536	6,545,246
State Revenue Receivable	3,033,657			3,033,657
Federal Revenue Receivable	1,178,393			1,178,393
Other Receivables (Net)	543,803			543,803
Inventories	94,672			94,672
Prepaid Expenditures	813,396			813,396
Total Assets	<u>\$ 27,700,034</u>	<u>\$ 64,358,115</u>	<u>\$ 91,707</u>	<u>\$ 92,149,856</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Due to Other Funds	\$ 6,278,768	\$ -	\$ 3,768	\$ 6,282,536
Accounts Payable	1,560,580	3,823,455		5,384,035
Accrued Salaries and Benefits	9,006,542			9,006,542
Unearned Revenue	133,882			133,882
Other Current Liabilities	40,588			40,588
Total Liabilities	<u>17,020,360</u>	<u>3,823,455</u>	<u>3,768</u>	<u>20,847,583</u>
Fund Balances:				
Nonspendable:				
Inventory	94,672			94,672
Prepaid Expenditures	813,396			813,396
Committed to:				
Capital Projects		60,534,660		60,534,660
PSERS	1,500,000			1,500,000
Designated Purposes			87,939	87,939
Assigned to:				
Athletics	212,226			212,226
Unassigned:	8,059,380			8,059,380
Total Fund Balances	<u>10,679,674</u>	<u>60,534,660</u>	<u>87,939</u>	<u>71,302,273</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 27,700,034</u>	<u>\$ 64,358,115</u>	<u>\$ 91,707</u>	<u>\$ 92,149,856</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Total Fund Balances - Governmental Funds	\$ 71,302,273
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$208,322,991 and the accumulated depreciation is \$60,204,641.	148,118,350
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(178,561,459)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	16,562,553
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(435,058)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.	850,000
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(96,130,000)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions and other post employment benefits	19,335,265
Deferred inflows of resources related to pensions and other post employment benefits	(21,359,156)
Deferred inflows of resources related to the long term debt subsidy receivable	(16,562,553)
Extended Term Financing, including notes payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(18,080,043)
Long-term portion of retirement obligations and compensated absences.	<u>(10,836,045)</u>
Total Net Position - Governmental Activities	<u><u>\$ (85,795,873)</u></u>

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Funds			Totals
	General	Capital Projects Fund	Non-Major Funds	
Revenues				
Local Sources				
Taxes	\$ 69,286,101	\$ -	\$ -	\$ 69,286,101
Other Local Revenues	3,047,023	280,002	167,252	3,494,277
State Sources	26,656,254		3,768	26,660,022
Federal Sources	2,888,724			2,888,724
Total Revenues	<u>101,878,102</u>	<u>280,002</u>	<u>171,020</u>	<u>102,329,124</u>
Expenditures				
Instruction	50,400,061	295,521		50,695,582
Support Services	29,527,211	214,749		29,741,960
Operation Of Non-Instructional Services	1,929,321		154,020	2,083,341
Capital Outlay	1,485,019	34,236,358		35,721,377
Debt Service				
Principal and Interest	11,682,674			11,682,674
Total Expenditures	<u>95,024,286</u>	<u>34,746,628</u>	<u>154,020</u>	<u>129,924,934</u>
Excess (Deficiency) of Revenues Over Expenditures	6,853,816	(34,466,626)	17,000	(27,595,810)
Other Financing Sources (Uses)				
Sale of Fixed Assets	10,250			10,250
Insurance Recoveries	9,725			9,725
Interfund Transfers In		6,275,000		6,275,000
Interfund Transfers (Out)	(6,275,000)	(546,305)		(6,821,305)
Total Other Financing Sources & (Uses)	<u>(6,255,025)</u>	<u>5,728,695</u>		<u>(526,330)</u>
Net Change in Fund Balances	598,791	(28,737,931)	17,000	(28,122,140)
Fund Balances - July 1, 2021 - Restated	<u>10,080,883</u>	<u>89,272,591</u>	<u>70,939</u>	<u>99,424,413</u>
Fund Balances - June 30, 2022	<u>\$ 10,679,674</u>	<u>\$ 60,534,660</u>	<u>\$ 87,939</u>	<u>\$ 71,302,273</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON—MCMILLAN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Governmental Funds		\$ (28,122,140)
Depreciation Expense		(3,160,924)
Capital outlays are reported governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		35,756,369
Bond and note premium and discount amortization		187,267
Loss on Disposal of Fixed Assets		(82,720)
Some delinquent property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned tax revenues increased by this amount this year.		150,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable and the accretement of interest on capital appreciation bonds.		(1,533,296)
In the statement of activities, compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		69,697
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net		5,405,000
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
District pension contributions	12,377,867	
Cost of benefits earned net of employee contributions	(6,568,575)	5,809,292
Change in Net Position - Governmental Activities		<u><u>\$ 14,478,545</u></u>

CANON—MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Taxes	\$ 64,512,786	\$ 64,512,786	\$ 69,286,101	\$ 4,773,315
Other Local Revenues	2,312,000	2,312,000	3,047,023	735,023
State Sources	25,911,528	25,911,528	26,656,254	744,726
Federal Sources	2,384,305	2,384,305	2,888,724	504,419
Total Revenues	<u>95,120,619</u>	<u>95,120,619</u>	<u>101,878,102</u>	<u>6,757,483</u>
Expenditures				
Instruction				
Regular Programs	33,906,850	33,925,647	33,263,872	(661,775)
Special Programs	12,046,516	12,045,316	14,260,467	2,215,151
Vocational Education	2,742,059	2,737,184	2,630,321	(106,863)
Other Instructional Programs	500,498	500,498	227,464	(273,034)
Nonpublic School Programs			17,937	17,937
Total Instruction	<u>49,195,923</u>	<u>49,208,645</u>	<u>50,400,061</u>	<u>1,191,416</u>
Support Services				
Pupil Personnel	2,851,725	2,851,025	2,879,823	28,798
Instructional Staff	1,456,105	1,445,019	1,189,457	(255,562)
Administration	5,353,316	5,362,419	4,766,927	(595,492)
Pupil Health	2,227,343	2,227,343	1,781,176	(446,167)
Business	946,058	946,058	867,176	(78,882)
Operation & Maintenance of Plant Services	8,131,850	8,131,850	7,779,846	(352,004)
Student Transportation Services	6,105,056	6,213,056	7,159,611	946,555
Central	2,059,711	2,060,666	1,855,009	(205,657)
Other Support Services	1,240,000	1,240,000	1,248,186	8,186
Total Support Services	<u>30,371,164</u>	<u>30,477,436</u>	<u>29,527,211</u>	<u>(950,225)</u>
Operation of Non-Instructional Services				
Student Activities	1,926,014	1,927,208	1,763,754	(163,454)
Community Services	162,943	162,943	165,567	2,624
Total Non-Instructional Services	<u>2,088,957</u>	<u>2,090,151</u>	<u>1,929,321</u>	<u>(160,830)</u>
Capital Outlay	1,130,000	1,265,242	1,485,019	219,777
Debt Service				
Principal and Interest	11,732,674	11,732,674	11,682,674	(50,000)
Total Expenditures	<u>94,518,718</u>	<u>94,774,148</u>	<u>95,024,286</u>	<u>250,138</u>
Excess (Deficiency) of Revenues Over Expenditures	601,901	346,471	6,853,816	6,507,345
Other Financing Sources (Uses)				
Sales of Fixed Assets	10,000	10,000	10,250	250
Insurance Recoveries			9,725	9,725
Interfund Transfers In				
Interfund Transfers (Out)	(150,000)	(150,000)	(6,275,000)	(6,125,000)
Budgetary Reserve	(450,000)	(194,570)		194,570
Total Other Financing Sources & (Uses)	<u>(590,000)</u>	<u>(334,570)</u>	<u>(6,255,025)</u>	<u>(5,920,455)</u>
Net Change in Fund Balances	11,901	11,901	598,791	586,890
Fund Balance - July 1, 2021 - Restated	<u>10,080,883</u>	<u>10,080,883</u>	<u>10,080,883</u>	
Fund Balance - June 30, 2022	<u>\$ 10,092,784</u>	<u>\$ 10,092,784</u>	<u>\$ 10,679,674</u>	<u>\$ 586,890</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	Food Service Fund	Retirement Obligations Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 341,372	\$ -
Investments	1,046,337	4,652,600
State Revenue Receivable	880	
Federal Revenue Receivable	30,297	
Other Receivables	145,779	
Inventories	18,021	
Prepaid Expenses		632,207
Total Current Assets	1,582,686	5,284,807
Noncurrent Assets:		
Food Service Equipment (Net of Depreciation)	848,073	
Total Noncurrent Assets	848,073	
TOTAL ASSETS	2,430,759	5,284,807
LIABILITIES		
Current Liabilities:		
Due to Other Funds	\$ 262,710	\$ -
Accounts Payable	20,274	
Unearned Revenue	121,668	
Other Current Liabilities	66,517	
Total Current Liabilities	471,169	
NET POSITION		
Net Investment in Capital Assets	848,073	
Restricted for:		
Retirement Obligations		5,284,807
Unrestricted	1,111,517	
Total Net Position	1,959,590	5,284,807
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 2,430,759	\$ 5,284,807

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Food Service	Retirement Obligations Fund
Operating Revenues		
Food Service Revenue	\$ 443,147	\$ -
Other Operating Revenue	1,478	
	444,625	
Operating Expenses		
Personal Services - Salaries	625,332	
Personal Services - Benefits	406,953	239,598
Other Purchased Services	1,184,564	
Supplies	154,484	
Depreciation Expense	44,921	
	2,416,254	239,598
Total Operating Expenses		
Operating Income (Loss)	(1,971,629)	(239,598)
Nonoperating Revenues (Expenses)		
Donations from Private Sources		
Operating Subsidies		
State Subsidies	190,227	
Federal Subsidies		
Lunch and Breakfast Subsidies	2,466,901	
Value of Donated Commodities Received	142,429	
Earnings on Investments	1,526	2,567
	2,801,083	2,567
Total Nonoperating Revenue and Expense		
Income (Loss) Before Transfers	829,454	(237,031)
Contributions and Transfers		
Transfers from Other Funds	546,305	-
	1,375,759	(237,031)
Change in Net Position		
Net Position - July 1, 2021	583,831	5,521,838
	\$ 1,959,590	\$ 5,284,807
Net Position - June 30, 2022		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Food Service	Retirement Obligations Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 321,304	\$
Cash Payments to Employees for Services	(1,092,448)	
Cash Paid to Suppliers for Goods and Services	(1,107,574)	
Net Cash Provided (Used) by Operating Activities	(1,878,718)	
Cash Flows from Noncapital Financing Activities:		
Grants and Subsidies Received for Non-Operating Activities		
State Subsidies	190,493	
Federal Subsidies	2,466,015	
Transfer from Other Funds	546,305	
Net Cash Provided (Used) by Noncapital Financing Activities	3,202,813	
Cash Flows from Capital and Related Financing Activities:		
Purchase of Equipment	(547,689)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(547,689)	
Cash Flows from Investing Activities:		
Earnings on Investments	1,526	2,567
Withdrawals (Purchases of) from Investment Pools	(710,691)	(2,567)
Net Cash Provided (Used) by Investing Activities	(709,165)	
Net Increase (Decrease) in Cash and Equivalents	67,241	
Cash and Cash Equivalents, Beginning of Year	274,131	-
Cash and Cash Equivalents, End of Year	\$ 341,372	\$
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities		
Operating Income (Loss)	\$ (1,971,629)	\$ (239,598)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	44,921	
Donated Commodities Used	142,429	
Changes in Assets and Liabilities:		
Accounts Receivable	(123,321)	
Inventories	(4)	
Due to/Due From Other Funds	(60,163)	239,598
Accounts Payable	(5,169)	
Other Liabilities	(9,433)	
Unearned Revenues	103,651	
Total Adjustments	92,911	239,598
Net Cash Provided (Used) by Operating Activities	\$ (1,878,718)	\$

Noncash Noncapital Financing Activities:

During the year, the District received \$65,069 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Funds	
	Student Activities	School Store
ASSETS		
Cash and Cash Equivalents	\$ 304,414	\$ 28,132
TOTAL ASSETS	\$ 304,414	\$ 28,132
LIABILITIES		
Accounts Payable	\$ 1,462	\$ 30
Other Current Liabilities		
Total Liabilities	1,462	30
NET POSITION		
Restricted	302,952	28,102
Total Net Position	302,952	28,102
TOTAL LIABILITIES AND NET POSITION	\$ 304,414	\$ 28,132

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Funds	
	Student Activities	School Store
Additions		
Investment Income	\$ -	\$ 57
Other Income	224,466	7,638
Total Additions	\$ 224,466	\$ 7,695
 Deductions		
Student Activities	\$ 191,518	\$ -
Other Deductions		5,008
Total Deductions	191,518	5,008
 Change in Net Position	32,948	2,687
 Net Position - July 1, 2021	270,004	25,415
 Net Position - June 30, 2022	\$ 302,952	\$ 28,102

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Canon–McMillan School District

Notes to the Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The Canon–McMillan School District (the “School District”) provides public education to residents of North Strabane Township, Cecil Township and the Borough of Canonsburg.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Canon–McMillan School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, “The Financial Reporting Entity,” management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is however a participant in a jointly governed organization: Western Area Career & Technology Center. The Center is not considered part of the reporting entity, as the School District is not financially accountable for the school. See Note 9 for details on operating information about this entity.

B. Basis of Presentation

The financial statements of Canon–McMillan School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District’s accounting policies.

The School District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances are eliminated.

2. Fund Financial Statements

The fund financial statements provide information about the School District's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to

the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund, Capital Projects Fund, and the Debt Service Fund are the School District's major governmental funds:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

Capital Projects Fund – The Capital Projects Fund includes the School District's capital projects and capital reserve funds. The capital projects fund accounts for funds which are typically borrowed or transferred from the general fund and used for major capital improvements. The capital reserve fund is a Section 1432 capital reserve fund set up in accordance with the Pennsylvania School Code. The purpose of the fund is to set aside excess monies available in the General Fund for future use in the area of capital outlay and improvements.

Debt Service Fund – The Debt Service Fund accounts for resources accumulated to provide for payment of general long-term debt principal and interest.

The Other Governmental Funds of the School District account for other resources, including the district activities fund whose use is restricted to a particular purpose.

District Activities Fund – The District Activities Fund accounts for specific activities within the District and is restricted for particular purposes.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the School District's proprietary funds:

Enterprise Fund

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Food Service

The Food Service Fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Internal Service Fund

Retirement Obligations

The Retirement Obligations Fund accounts for the financial transactions related to the other post employment activities of the School District. This fund is used to set aside funds accumulated to pay for the School District's Other Post Employment Obligations.

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

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Custodial funds are custodial in nature and are used to fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District's custodial fund accounts for various student-managed activities.

Custodial Funds

Student Activity Fund - This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations.

School Store Fund – This fund accounts for operations of the School District's school store that is maintained by the students.

D. Measurement Focus, Basis of Accounting

1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship

between the government-wide statements and the fund financial statements for governmental funds.

3. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

4. Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

5. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

Generally accepted accounting principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

The appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflect the first appropriation resolution for the general fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation that includes budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2022, the School District has no encumbrances.

G. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds of investments subject to daily withdrawal to be cash equivalents.

Deposits

Below is a summary of the School District's deposits which are insured by the Federal Depository Insurance Corporation, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	<u>\$ 250,021</u>	<u>\$ 14,981,549</u>	<u>\$ 15,231,570</u>	<u>\$ 14,174,595</u>

Investments

The District's investments at June 30, 2022 consist of:

	Cost	Fair Value
Pennsylvania Local Government Investment Trust	\$ 109,728	\$ 109,728
Pennsylvania School District Liquid Asset Fund	68,330,556	68,330,556
Certificates of Deposit	<u>1,705,551</u>	<u>1,705,551</u>
Total	<u>\$ 70,145,835</u>	<u>\$ 70,145,835</u>

The Pennsylvania School District Liquid Asset Fund and the Pennsylvania Local Government Investment Trust are investment pools. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pools seek to maintain the net position value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price.

For PSDLAF, internal oversight resides with a Board of Trustees consisting of local school board members, school business officials and the Executive Directors of PASBO and PSBA. For outside oversight, the Fund is monitored on a weekly basis by Standard & Poor's, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

For PLGIT, regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

When applicable, the School District measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principals, recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- Level 2 inputs: The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investment Risks

Custodial Credit Risk - Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the custodian would not be able to recover the value of its investments or collateral securities in the possession of the custodian. The School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The School 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.

Concentration of Credit Risk – Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the plan's net position. The School District places no limit on the amount it may invest in any one issue.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

H. Taxes Receivable

Taxes receivable consist of delinquent real estate taxes due at June 30, 2022, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

I. Interfund Receivables/Payables

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

J. Inventories

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2022.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2022. The inventory consisted of government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2022 are reported as unearned revenue.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

L. Long-Term Liabilities

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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.

M. Estimates

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

N. Fund Balances

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies governmental fund balances as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2022 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Director of Business and Finance of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available,

the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

Fund balances in the School District's general fund totals \$10,679,674 consisting of \$908,068 that is nonspendable for inventory and prepaid expenditures, \$1,500,000 that is committed for PSERS liabilities, \$212,226 that is assigned for athletics, and \$8,059,380 that is unassigned. In addition, \$60,534,660 is a committed fund balance in the capital projects fund.

Fund balances in the School District's non-major funds include \$87,939 for the District Activities Fund.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

P. Subsequent Events

The School District evaluated subsequent events for recognition and disclosure through December 8, 2022, the date the financial statements were available to be issued.

Note 2 – Real Estate and Unearned Revenue

Property taxes attach as an enforceable lien on property as of July 1st of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2022 was based on assessed values on January 1, 2021 of \$4.932 billion. The School District tax rate for the year ended June 30, 2022 was 11.9529 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30th, at face until November 30th, and at a 10% penalty until the lien date.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$1,993,113.

Note 3 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-depreciable assets:				
Land	\$ 776,320	\$ -	\$ -	\$ 776,320
Construction in progress	13,355,910	34,746,627		48,102,537
Depreciable assets				
Land Improvements	5,795,375			5,795,375
Buildings	142,243,820	435,353	(94,000)	142,585,173
Equipment	10,706,087	574,389	(216,890)	11,063,586
Totals at historical cost	<u>172,877,512</u>	<u>35,756,369</u>	<u>(310,890)</u>	<u>208,322,991</u>
Less accumulated depreciation for:				
Land Improvements	(4,280,299)	(177,475)		(4,457,774)
Buildings	(44,918,806)	(2,138,102)	11,280	(47,045,628)
Equipment	(8,072,782)	(845,347)	216,890	(8,701,239)
Total accumulated depreciation	<u>(57,271,887)</u>	<u>(3,160,924)</u>	<u>228,170</u>	<u>(60,204,641)</u>
Governmental activities capital assets, net	<u>\$ 115,605,625</u>	<u>\$ 32,595,445</u>	<u>\$ (82,720)</u>	<u>\$ 148,118,350</u>
Business-type Activities				
Depreciable assets:				
Equipment	\$ 2,040,643	\$ 547,689	\$ -	\$ 2,588,332
Totals at historical cost	<u>2,040,643</u>	<u>547,689</u>	<u>-</u>	<u>2,588,332</u>
Less accumulated depreciation for:				
Equipment	(1,695,338)	(44,921)		(1,740,259)
Total accumulated depreciation	<u>(1,695,338)</u>	<u>(44,921)</u>	<u>-</u>	<u>(1,740,259)</u>
Business-type activities capital asset, net	<u>\$ 345,305</u>	<u>\$ 502,768</u>	<u>\$ -</u>	<u>\$ 848,073</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 816,254
Support				15,260
Plant				30,533
Transportation				479,790
Unallocated-governmental funds				1,819,087
Total depreciation expense				<u>\$ 3,160,924</u>

In the 2021-2022 school year, building construction and renovations and equipment purchases (net of retirements) added \$35,445,479 to the historical cost of governmental activities and \$547,689 to the historical cost of business activities. Depreciation expense for that same time period was a net \$2,932,754 and \$44,921 for the governmental activities and business activities, resulting in net book value increases of \$32,512,725 and \$502,768 for the governmental activities and business activities respectively.

Note 4 – General Long-Term Debt

Changes in the School District’s long-term obligations during fiscal year 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 176,277,242	\$ 1,535,849	\$ (4,950,000)	\$ 172,863,091	\$ 5,010,000
General obligation notes	18,810,000		(455,000)	18,355,000	490,000
	<u>195,087,242</u>	<u>1,535,849</u>	<u>(5,405,000)</u>	<u>191,218,091</u>	<u>5,500,000</u>
Add: Bond and Note Premiums	6,857,308		(262,489)	6,594,819	
Less: Bond and Note Discounts	<u>(1,246,630)</u>		<u>75,222</u>	<u>(1,171,408)</u>	
Total bonds, loans and leases payable	200,697,920	1,535,849	(5,592,267)	196,641,502	5,500,000
Other liabilities:					
Compensated absences	1,406,699	260,030	(277,245)	1,389,484	
Health Insurance Premium Share (OPEB)	5,145,400	690,000	(287,000)	5,548,400	
Pension Liability	116,805,600	6,583,400	(27,259,000)	96,130,000	
OPEB Obligation	4,729,032	282,345	(1,113,217)	3,898,160	
Total other liabilities	<u>128,086,731</u>	<u>7,815,775</u>	<u>(28,936,462)</u>	<u>106,966,044</u>	
Governmental activities long-term liabilities	<u>\$ 328,784,651</u>	<u>\$ 9,351,624</u>	<u>\$ (34,528,729)</u>	<u>\$ 303,607,546</u>	<u>\$ 5,500,000</u>

General Obligation Bonds

Capital Appreciation Bonds, Series of 1999, stated maturity amount of \$23,975,000, with yield to maturity ranging from 5.95% to 6.10% with final payment due in 2024.

Capital Appreciation Bonds, Series A of 2001, stated maturity amount of \$13,610,000, with yields to maturity ranging from 4.75% to 5.96% with final payment due in 2029.

Capital Appreciation Bonds, Series A of 2002, stated maturity amount on \$22,635,000, with yields to maturity ranging from 2.30% to 5.98% with final payment due in 2034. These bonds were partially refunded in 2013/2014 with the issuance of the General Obligation Bonds, Series B of 2014.

General Obligation Bonds, Series B of 2014, issuance amount of \$9,865,000, variable rates from 0.530% to 4.270%, with final payment due in 2028.

General Obligation Bonds, Series D of 2014, issuance amount of \$25,350,000, variable rates from 0.70% to 5.00%, with final payment due in 2039.

General Obligation Bonds, Series of 2017, issuance amount of \$24,825,000, variable rates from 0.95% to 5.00%, with final payment due in 2041.

General Obligation Bonds, Series of 2019, issuance amount of \$65,455,000, variable rates from 2.00% to 4.00%, with final payment due in 2050.

General Obligation Bonds, Taxable Series of 2020, issuance amount of \$27,630,000, variable rates from 1.201% to 2.569%, with final payment due in 2033.

The balances remaining on the remaining five series at June 30, 2022 are:

Current Interest Bonds

2014 General Obligation Bonds, Series B	\$ 6,635,000
2014 General Obligation Bonds, Series D	25,100,000
2017 General Obligation Bonds	23,610,000
2019 General Obligation Bonds	65,080,000
2020 General Obligation Bonds	<u>27,620,000</u>
Total Current Interest Bonds	<u>\$ 148,045,000</u>

<u>Zero Coupon Bonds</u>	<u>Stated Maturity</u>	<u>Value at Issuance</u>	<u>Compound Accreted Value at June 30, 2022</u>
1999 General Obligation Bonds	\$23,975,000	\$ 6,963,515	\$ 5,979,751
2001 General Obligation Bonds, Series A	13,610,000	3,048,628	10,023,960
2002 General Obligation Bonds, Series A	22,635,000	8,251,635	<u>8,814,380</u>
Total Zero Coupon Bonds			<u>\$ 24,818,091</u>
Total All Bonds			<u>\$ 172,863,091</u>

The amounts necessary to amortize outstanding bonds for the next five years and to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,010,000	\$ 5,665,028	\$ 10,675,028
2024	5,460,000	5,631,206	11,091,206
2025	5,575,000	5,592,846	11,167,846
2026	5,565,000	5,549,471	11,114,471
2027	5,605,000	5,504,272	11,109,272
2028-2032	28,950,000	26,032,884	54,982,884
2033-2037	21,130,000	23,235,123	44,365,123
2038-20242	38,465,000	17,307,450	55,772,450
2043-2047	37,695,000	9,927,400	47,622,400
2048-2050	26,430,000	2,142,200	28,572,200
Total	<u>\$ 179,885,000</u>	<u>\$ 106,587,880</u>	<u>\$ 286,472,880</u>

The General Fund is used to liquidate the liability for long-term debt. Interest expense disclosed in the government wide financial statements includes interest paid on long term debt obligations, refund of prior year revenues and unamortized costs related to refunding of debt.

General Obligation Notes

General Obligation Notes – Series of 2012A, issuance amount of \$18,785,000, interest at the rate of 0.45% - 3.25% with final payment due in 2035.

General Obligation Notes – Series of 2012B, issuance amount of \$2,655,000, interest at the rate of 0.862% - 3.295% with final payment due in 2021.

The amounts necessary to amortize outstanding notes for the next five years and to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 490,000	\$ 570,700	\$ 1,060,700
2024	445,000	559,319	1,004,319
2025	225,000	550,803	775,803
2026	345,000	543,106	888,106
2027	370,000	533,275	903,275
2028-2032	2,575,000	2,470,050	5,045,050
2033-2035	13,905,000	1,290,981	15,195,981
Total	<u>\$ 18,355,000</u>	<u>\$ 6,518,234</u>	<u>\$ 24,873,234</u>

Note 5 - Pension Plan

1. Summary of Significant Accounting Policies

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 addition 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.

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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.

Contributions

Member Contributions:

The contribution rates are based on qualified member compensation for virtually all members are present below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary

Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions:

The School District’s contractually required contribution rate for fiscal year ended June 30, 2022 was 33.99%* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$12,303,545 for the year ended June 30, 2022.

*The defined benefit contribution rate of 0.15% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution rate. This may impact contributions made to the pension plan.

2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2022, the District reported a liability of \$96,130,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District’s proportion was 0.2341 percent, which was a decrease of 0.0031% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$6,578,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 71,000	\$ 1,263,000
Changes in Assumptions	4,662,000	
Net difference between projected and actual investment earnings		15,300,000
Changes in proportions	992,000	2,982,000
Contributions subsequent to the measurement date	12,303,545	
	\$ 18,028,545	\$ 19,545,000

\$12,303,545 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2022	\$ (3,473,000)
2023	(3,170,000)
2024	(2,233,000)
2025	(4,943,000)

Changes in Actuarial assumptions

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

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- The discount rates used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	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 as of June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 126,153,000	\$ 96,114,000	\$ 70,774,000

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.state.pa.us.

	Schedule of Employer Contributions							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 11,125,223	\$ 11,081,820	\$ 10,971,678	\$ 10,039,714	\$ 8,973,234	\$ 8,213,505	\$ 7,325,973	\$ 6,420,773
Contributions in relation to the actuarially determined contribution	11,125,223	11,081,820	10,971,678	10,039,714	8,973,234	7,380,936	5,750,368	4,312,862
Contribution Deficiency	-	-	-	-	-	832,569	1,575,605	2,107,911
Covered Payroll	33,184,052	33,418,098	33,785,620	31,857,284	31,238,673	30,046,850	28,655,402	27,629,124
Contribution as a percentage of covered payroll	33.53%	33.16%	32.47%	31.51%	28.72%	24.56%	20.07%	15.61%

Note 6 – OPEB Liability – Health Insurance Premium Share

OPEB Plan

1. Summary of Significant Account Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 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.

Pension Plan Description

PSERS is a governmental cost sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school

year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school district’s contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% 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 \$288,308 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$5,548,400 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District’s proportion was 0.2341%, which was a decrease of 0.0031% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expenses of \$341,000. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 52,000	\$ -
Changes in Assumptions	591,000	74,000
Net difference between projected and actual investment earnings	11,000	
Changes in proportions	136,000	176,000
Contributions subsequent to the measurement date	288,308	
	<u>\$ 1,078,308</u>	<u>\$ 250,000</u>

\$288,308 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:

Year Ended June 30,	
2022	\$ 98,000
2023	97,000
2024	126,000
2025	101,000
2026	57,000
Thereafter	61,000

Actuarial assumptions

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

- Actuarial cost method - Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version for the MP-2020 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	-0.3%
	100.0%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. 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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retiree Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
System net OPEB Liability (in thousands)	\$ 2,369,814	\$ 2,370,083	\$ 2,370,295

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate.

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
District's proportionate share of the net OPEB liability	\$ 6,367,000	\$ 5,548,000	\$ 4,873,000

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.

Schedule of Employer Premium Assistance Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 313,626	\$ 329,177	\$ 341,736	\$ 318,480	\$ 294,878	\$ 300,426
Contributions in relation to the actuarially determined contribution	272,410	279,239	280,699	264,339	259,369	261,132
Contribution Deficiency	41,216	49,938	61,037	54,141	35,509	39,294
Covered Payroll	33,184,052	33,418,098	33,785,620	31,857,284	31,238,673	30,046,850
Contribution as a percentage of covered payroll	0.82%	0.84%	0.83%	0.83%	0.83%	0.87%

Note 7 – Compensated Absences & Other Post-Employment Benefits

The School District has made early retirement benefits available to certain employees. The benefit is (1) payment for unused sick days at retirement and (2) a retirement incentive payable. The payable for declared retirements is recorded as a current liability in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the

School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

	<u>Sick Day Liability</u>	<u>Retirement Incentives</u>	<u>Total</u>
June 30, 2021 Balance	\$ 1,347,402	\$ 59,297	\$ 1,406,699
Increases	158,610	101,420	260,030
Decreases	(216,912)	(60,333)	(277,245)
June 30, 2022 Balance	<u>\$ 1,289,100</u>	<u>\$ 100,384</u>	<u>\$ 1,389,484</u>

Note 8 – Other Post-Employment Benefits

The District maintains a single-employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District’s health insurance plan.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The Annual Required Contribution for the year ended June 30, 2022 was not made by the District.

Funded Status and Funding Progress. As of June 30, 2022, the actuarial accrued liability for benefits was \$3,898,160, all of which was unfunded.

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

For the year ended June 30, 2022, the District recognized expense of \$178,921. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 228,412	\$ 1,012,519
Changes in Assumptions		551,637
	<u>\$ 228,412</u>	<u>\$ 1,564,156</u>

The other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2023	\$	(142,893)
2024		(142,893)
2025		(142,893)
2026		(142,893)
2027		(142,893)
Thereafter		(621,280)

Sensitivity of the Net OPEB liability to changes in the discount rate

The following presents the net OPEB liability to the District, calculated using the discount rate of 3.54%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current rate:

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
Net OPEB Liability	\$ 4,262,023	\$ 3,898,160	\$ 3,567,002

Sensitivity of the Net OPEB liability to Changes in the Medical Inflation Rate

The following presents the net OPEB liability to the District, calculated using the current medical inflation rate as well as what the District's net OPEB liability would be if it were calculated using an inflation rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Medical Inflation Rate	1% Increase
Net OPEB Liability	\$ 3,398,697	\$ 3,898,160	\$ 4,495,793

Schedule of Changes in the Plan's OPEB Liability and Related Ratios

	2021	2021
Service Cost	\$ 178,921	\$ 202,420
Interest	103,424	107,202
Differences (Expected vs. Actual)	(873,619)	(65,735)
Benefit Payments	(239,598)	(326,380)
Net Change in total OPEB Liability	(830,872)	(82,493)
Total OPEB liability - beginning of year	4,729,032	4,811,525
Total OPEB liability - end of year	\$ 3,898,160	\$ 4,729,032
Covered-employee payroll	\$ 26,688,544	\$ 28,850,091
Total OPEB liability as a percentage of covered-employee payroll	14.61%	16.39%

- GASB 75 was implemented beginning with the fiscal year ended June 30, 2017.
- Valuation Date: July 1, 2020 projected to June 30, 2022

The following assumptions were also made:

Actuarial Cost Method – Entry Age normal Percentage of Pay

Medical Inflation Rate – 5.5% increase in the first year (actual), 6% in the second year, decreasing by 0.5% per year to an ultimate rate of 5%.

Asset Valuation Method – Market value

Inflation – 2.6%

Wage inflation – 3%

Salary Increases – 3.00%, average, including inflation.

*Long-term investment rate of return – 3.54% (6/30/2022 Bond Buyer Index AA)
2.16% (6/30/2021 Bond Buyer Index AA)*

Retirement Age – Immediate upon first eligibility

Mortality – RP-2000 Combined Healthy with Scale BB

Note 9 – Jointly Governed Organizations

The School District is one of eight member school districts of the Western Area Career & Technology Center. The Center is controlled and governed by the Joint Committee, which is composed of one member from each school board of the member districts. Direct oversight of the Center’s operations is the responsibility of the Joint Committee. The School District’s share of annual operating and capital costs for the Center fluctuates based on the percentage enrollment in the school and is reflected as intergovernmental expenditures of the General Fund. The audit report may be obtained by calling the business office of the School District.

Note 10 – Contingent Liabilities and Events

The Canon–McMillan School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2022 have not yet been conducted. Accordingly, the School District’s compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.

The COVID-19 pandemic has continued to impact the Township. As a response to COVID-19, the Coronavirus Aid, Relief and Economics Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act were enacted by Congress to provide budgetary relief to governmental agencies. This funding is reflected in these and in future financial statements.

Note 11 – Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2022 were:

<u>Interfund Receivable</u>		<u>Interfund Payable</u>	
Capital Projects Fund	\$ 6,275,000	General Fund	\$ 6,278,768
General Fund	262,710	Cafeteria Fund	262,710
District Activities Fund	7,536	District Activities Fund	3,768
	<u>\$ 6,545,246</u>		<u>\$ 6,545,246</u>

The General Fund’s payable is the result of amounts being set aside for ongoing capital projects. The Cafeteria Fund’s payable represents amounts paid by the General Fund on the Cafeteria Fund’s behalf.

During the fiscal year ended June 30, 2022, the following fund level transfers were made:

<u>Transfers In</u>		<u>Transfers Out</u>	
	Amount		Amount
Capital Projects Fund	\$ 6,275,000	General Fund	\$ 6,275,000
Cafeteria Fund	546,305	Capital Projects Fund	546,305
	<u>\$ 6,821,305</u>		<u>\$ 6,821,305</u>

The above transfers to the Capital Projects Fund represents amounts that are being set aside for ongoing capital projects within the District. The transfer to the Cafeteria Fund represents fixed asset purchases made by the Capital Projects Fund that will be used by the Cafeteria Fund’s operations.

Note 12 – Risk Management

General Risk – The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Canon–McMillan School District manages most of its risk through the general fund with the purchase of commercial insurance coverage. Settled claims have not exceeded coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

The District estimates that the amount of actual or potential claims against the District as of June 30, 2022 will not materially affect the financial condition of the District and will be covered under the present insurance coverage.

Note 13 – Health Insurance Consortium

The School District is one of seventy-one members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium was formed in 1987 in order to provide health benefits to participating school entities. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. These rates are established with the objection of satisfying current costs and claims of covered health care services, as well as providing a residual sufficient to satisfy work capital requirements and promote premium stabilization for periods when actual costs of coverage exceed premiums collected from members. In addition, the Consortium maintains a percentage of its net assets to cover potential future catastrophic losses. The Consortium or the School District does not maintain independent insurance coverage for catastrophic losses.

At June 30, 2022, such net residual net assets (deficit) were \$51,449,149 for the Consortium as a whole, of which a share of the residual net assets of \$1,505,951 was attributable to the School District. The agreement permits members to withdraw from the Consortium under specified terms. Participating entities that withdraw are entitled to receive a pro rata share of the allocable net assets as reduced by any amount billed and payable to the Consortium as well as any remaining buy-in amounts. Participating entities must reimburse the Consortium for their pro rata share of any deficiency in net assets. In such event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium’s net assets or deficit as determined on the date of withdrawal.

Audited financial statements for the consortium through the fiscal year ended June 30, 2022 are available by calling the School District business office.

Note 14 – Beginning Balance Adjustment

The beginning fund balance of the School District’s General Fund was adjusted by \$112,091 to correct the balance of a general fund liability in the prior year.

Required Supplementary Information

CANON-MCMILLAN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
District's Proportion of the Net Pension Liability	0.2341%	0.2372%	0.2450%	0.2366%	0.2346%	0.2320%	0.2227%	0.2165%	0.2133%
District's Proportionate Share of the Net Pension Liability	\$ 96,114,000	\$ 116,795,000	\$ 114,617,000	\$ 113,580,000	\$ 115,883,000	\$ 115,010,000	\$ 96,496,000	\$ 85,692,000	\$ 87,317,000
District's Covered-employee Payroll	\$ 33,184,052	\$ 33,418,098	\$ 33,785,620	\$ 31,857,284	\$ 31,238,673	\$ 30,046,850	\$ 28,655,402	\$ 27,629,124	\$ 27,373,371
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	289.64%	349.50%	339.25%	356.53%	370.96%	382.77%	336.75%	310.15%	318.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

CANON-MCMILLAN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
District's Proportion of the Net OPEB Liability	0.2341%	0.2372%	0.2450%	0.2366%	0.2346%	0.2320%
District's Proportionate Share of the Net OPEB Liability	\$ 5,548,000	\$ 5,145,000	\$ 5,211,000	\$ 4,933,000	\$ 4,780,000	\$ 4,997,000
District's Covered-employee Payroll	\$ 33,184,052	\$ 33,418,098	\$ 33,785,620	\$ 31,857,284	\$ 31,238,673	\$ 30,046,850
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	16.72%	15.40%	15.42%	15.48%	15.30%	16.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

Supplementary Information

CANON MCMILLAN SCHOOL DISTRICT
BALANCE SHEET - CAPITAL PROJECTS FUNDS
JUNE 30, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash	\$ 21	\$ 4,520,956	\$ 4,520,977
Investments	11,787,621	41,774,517	53,562,138
Due from Other Funds	<u>1,275,000</u>	<u>5,000,000</u>	<u>6,275,000</u>
Total Assets	<u><u>13,062,642</u></u>	<u><u>51,295,473</u></u>	<u><u>64,358,115</u></u>
Liabilities			
Accounts Payable	<u>\$ -</u>	<u>\$ 3,823,455</u>	<u>\$ 3,823,455</u>
Total Liabilities	<u> </u>	<u>3,823,455</u>	<u>3,823,455</u>
Fund Balances			
Committed to:			
Capital Projects	<u>13,062,642</u>	<u>47,472,018</u>	<u>60,534,660</u>
Total Fund Balances	<u>13,062,642</u>	<u>47,472,018</u>	<u>60,534,660</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 13,062,642</u></u>	<u><u>\$ 51,295,473</u></u>	<u><u>\$ 64,358,115</u></u>

CANON MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues			
Local Sources	\$ 16,636	\$ 263,366	\$ 280,002
Total Revenues	16,636	263,366	280,002
Expenditures			
Instruction		295,521	295,521
Support	-	214,749	214,749
Capital Outlay	-	34,236,358	34,236,358
Total Expenditures	-	34,746,628	34,746,628
Excess (Deficiency) of Revenues Over Expenditures	16,636	(34,483,262)	(34,466,626)
Other Financing Sources (Uses)			
Interfund Transfers (Out)		(546,305)	(546,305)
Interfund Transfers In	1,275,000	5,000,000	6,275,000
Total Other Financing Sources & (Uses)	1,275,000	4,453,695	5,728,695
Net Change in Fund Balances	1,291,636	(30,029,567)	(28,737,931)
Fund Balances - July 1, 2021	11,771,006	77,501,585	89,272,591
Fund Balances - June 30, 2022	<u>\$ 13,062,642</u>	<u>\$ 47,472,018</u>	<u>\$ 60,534,660</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Canon-McMillan School District
Canonsburg, 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 Canon-McMillan School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Canon-McMillan School District's basic financial statements, and have issued our report thereon dated December 8, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CYPHER & CYPHER

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
December 8, 2022

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Canon-McMillan School District
Canonsburg, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Canon-McMillan School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Canon-McMillan School District's major federal programs for the year ended June 30, 2022. Canon-McMillan 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.

In our opinion, Canon-McMillan School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Canon-McMillan School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Canon-McMillan School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Canon-McMillan School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Canon-McMillan School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Canon-McMillan School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Canon-McMillan School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Canon-McMillan School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Canon-McMillan School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

CYPHER & CYPHER

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
December 8, 2022

Canon–McMillan School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

Section 1 – Summary of Auditor’s Results

Financial Statements:		
i.	Type of auditor’s report issued	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
iii.	Noncompliance material to financial statements noted?	No

Federal Awards:		
iv.	Internal control over major programs:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
v.	Type of auditor’s report issued on compliance for major programs:	Unmodified
vi.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
vii.	Major programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	84.027 84.173	Special Education Cluster (IDEA)
	10.553 10.555	Child Nutrition Cluster
viii.	Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000

ix.	Auditee qualify as low-risk auditee?	No

Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS

None.

Section 3 – Findings and Questioned Costs for Federal Awards

None.

Section 4 – Summary of Prior Audit Findings

None.

CANON-MCMILLAN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF AWARDS OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022

Project Title Or Grant Name	Funding Source	Federal ALN #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In 21/22	Accrued/Deferred Revenue 7/1/21	Revenues Recognized 21/22	Expenditures Recognized 21/22	Accrued/Deferred Revenue 6/30/22	Carryover To 22/23
Title I, Part A Cluster											
Department of Education											
Passed From Pennsylvania Department of Education											
Title I, Part A	I	84.010	013-220060	21/22	\$ 395,491.00	\$ 286,942.90	\$ -	\$ 372,654.26	\$ 372,654.26	\$ 85,711.36	\$ 22,836.74
			013-210060	20/21	394,868.00	140,821.76	140,821.76	-	-	-	-
Total Title I, Part A Cluster					\$ 790,359.00	\$ 427,764.66	\$ 140,821.76	\$ 372,654.26	\$ 372,654.26	\$ 85,711.36	\$ 22,836.74
Special Education Cluster (IDEA)											
Department of Education											
Passed From Intermediate Unit #1											
IDEA, Part B	I	84.027		21/22	\$ 895,225.00	\$ 829,117.06	\$ -	\$ 895,225.00	\$ 895,225.00	\$ 66,107.94	\$ -
ARP IDEA, Part B	I	84.027		21/22	178,200.00	178,200.00		178,200.00	178,200.00		
PaTTAN	I	84.027	062-21-0032	21/22	15,000.00	3,750.00	(7,500.00)	62.50	62.50	(11,187.50)	14,937.50
Passed From Intermediate Unit #1											
IDEA, Section 619	I	84.173	131-21-0-001-A	21/22	3,984.00	3,984.00		3,984.00	3,984.00		
Total Special Education Cluster (IDEA)					\$ 1,092,409.00	\$ 1,015,051.06	\$ (7,500.00)	\$ 1,077,471.50	\$ 1,077,471.50	\$ 54,920.44	\$ 14,937.50
Child Nutrition Cluster											
Department of Agriculture											
Passed From Pennsylvania Department of Education											
School Breakfast Program	I	10.553		21/22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COVID-19 School Breakfast Program	I	10.553		21/22	331,757.40	327,279.41		331,757.40	331,757.40	4,477.99	
				20/21	156,049.21	8,021.16	8,021.16	-	-	-	-
COVID-19 School Breakfast Program - Severe Needy	I	10.553		21/22	64,950.79	63,997.36		64,950.79	64,950.79	953.43	
				20/21	54,985.58	436.18	436.18	-	-	-	-
Subtotal ALN #10.553					607,742.98	399,734.11	8,457.34	396,708.19	396,708.19	5,431.42	
Passed From Pennsylvania Department of Education											
National School Lunch Program	I	10.555		21/22	-	-		-	-	-	-
COVID-19 National School Lunch Program	I	10.555		21/22	2,060,064.39	2,035,198.77		2,060,064.39	2,060,064.39	24,865.62	
				20/21	765,329.14	20,953.74	20,953.74	-	-	-	-
Supply Chain Assistance	I	10.555		21/22	103,646.52	103,646.52		-	-	(103,646.52)	
SNP Emergency Operating Costs	I	10.555		21/22	7,065.93	7,065.93		7,065.93	7,065.93	-	
Passed From Pennsylvania Department of Agriculture											
National School Lunch - Donated Commodities	I	10.555		20/21	142,432.34	142,432.34		124,408.18	124,408.18	(18,024.16)	18,024.16
				20/21	65,068.83		(18,017.42)	18,017.42	18,017.42		
Subtotal ALN #10.555					3,143,607.15	2,309,297.30	2,936.32	2,209,555.92	2,209,555.92	(96,805.06)	18,024.16
Total Child Nutrition Cluster					\$ 3,751,350.13	\$ 2,709,031.41	\$ 11,393.66	\$ 2,606,264.11	\$ 2,606,264.11	\$ (91,373.64)	\$ 18,024.16
Passed From Pennsylvania Department of Education											
Pandemic Electronic Benefit Transfer	I	10.649		21/22	\$ 3,063.00	\$ 3,063.00		\$ 3,063.00	\$ 3,063.00	\$ -	\$ -
Subtotal ALN #10.649					\$ 3,063.00	\$ 3,063.00	\$ -	\$ 3,063.00	\$ 3,063.00	\$ -	\$ -

CANON-MCMILLAN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF AWARDS OF FEDERAL ASSISTANCE - (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

Department of Health and Human Services											
Passed from Pennsylvania Department of Public Welfare											
Medical Assistance - Access Time Study	I	93.778	140078	21/22	\$ 10,489.95	\$ 3,043.51	\$	\$ 10,489.95	\$ 10,489.95	\$ 7,446.44	\$
			140078	20/21	9,321.91	6,868.40	6,868.40	-	-	-	-
Total Department of Health and Human Services					\$ 19,811.86	\$ 9,911.91	\$ 6,868.40	\$ 10,489.95	\$ 10,489.95	\$ 7,446.44	\$
Department of Education											
Passed From Pennsylvania Department of Education											
Title II - Improving Teacher Quality	I	84.367	020-220060	21/22	\$ 86,113.00	\$ 62,077.10	\$	\$ 86,113.00	\$ 86,113.00	\$ 24,035.90	\$
			020-210060	20/21	86,091.00	17,410.14	17,410.14	-	-	-	-
Subtotal ALN #84.367					172,204.00	79,487.24	17,410.14	86,113.00	86,113.00	24,035.90	-
Title IV-Student Support and Academic Enrichment Program	I	84.424	144-220060	21/22	29,695.00	8,479.16		-	-	(8,479.16)	29,695.00
			144-210060	20/21	30,294.00		(20,247.10)	20,247.10	20,247.10	-	-
Subtotal ALN #84.424					59,989.00	8,479.16	(20,247.10)	20,247.10	20,247.10	(8,479.16)	29,695.00
CARES ACT - Elementary and Secondary Emergency Relief Fund - ESSER I	I	84.425D	200-200060	19/20	328,078.00	69,069.10	53,505.35	15,563.75	15,563.75	-	-
CARES ACT - Continuity of Education Grant for A-TSI Schools	I	84.425C	254-200060	19/20	63,235.00	19,968.96	(11,791.49)	31,803.64	31,803.64	43.19	29,910.21
CRRSA ACT - ESSER II - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-210060	20/21	1,457,253.00	915,600.56	(61,273.71)	1,259,740.53	1,259,740.53	282,866.26	157,117.38
CARES Act - ARP ESSER		84.425U	223-210060	21/22	2,949,365.00	214,499.28		751,897.95	751,897.95	537,398.67	2,197,467.05
CARES Act - ARP ESSER 7% - Learning Loss		84.425U	225-210060	21/22	163,737.00	11,908.16		75,540.72	75,540.72	63,632.56	88,196.28
CARES Act - ARP ESSER 7% - Summer School		84.425U	225-210060	21/22	32,747.00	2,381.60		-	-	(2,381.60)	32,747.00
CARES Act - ARP ESSER 7% - After School		84.425U	225-210060	21/22	32,747.00	2,381.60		3,237.98	3,237.98	856.38	29,509.02
Special Education - CARES Act GEER - SECIM	I	84.425	252-200060	19/20	55,248.00	2,907.79	(6,484.57)	20,635.13	20,635.13	11,242.77	32,374.07
Total Department of Education					\$ 5,314,603.00	\$ 1,326,683.45	\$ (28,881.38)	\$ 2,264,779.80	\$ 2,264,779.80	\$ 909,214.97	\$ 2,597,016.01
Passed through the PA Commission on Crime and Delinquency											
ESSER Funding - School Health and Safety - PCCD	I	84.425D		20/21	169,040.00	102,439.20	56,626.11	45,813.09	45,813.09	-	-
Subtotal ALN #84.425					5,251,450.00	1,341,156.25	30,581.69	2,204,232.79	2,204,232.79	893,658.23	2,567,321.01
Grand Total					\$ 11,140,635.99	\$ 5,593,944.69	\$ 179,328.55	\$ 6,380,535.71	\$ 6,380,535.71	\$ 965,919.57	\$ 2,652,814.41

Footnotes:

- (a) Total amount of Commodities received from Dept of Agriculture
- (b) Beginning inventory at July 1
- (c) Total amount of Commodities Used
- (d) Ending Inventory at June 30

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Canon–McMillan School District
Notes to Schedule of Expenditure of Awards of Federal Assistance
For the Year Ended June 30, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Canon-McMillan School District (the “School District”) under programs of the federal government for the year ended June 30, 2022. 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 Canon-McMillan School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Canon-McMillan School District.

Note 2 – Summary of Significant Accounting Policies

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

- (2) Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had food commodities totaling \$18,024 in inventory.

Note 4 – Indirect Cost Rates

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

