



# KARNS CITY AREA SCHOOL DISTRICT

KARNS CITY, PENNSYLVANIA

ANNUAL FINANCIAL REPORT  
SCHOOL YEAR ENDED JUNE 30, 2022



## Cypher & Cypher

Accountants | Auditors | Advisors

KARNS CITY AREA SCHOOL DISTRICT

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Independent Auditor's Report

Karns City Area School District  
Karns City, 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 Karns City Area School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Karns City Area 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 Karns City Area 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 Karns City Area 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 Karns City Area 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 Karns City Area 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 Karns City Area 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 the 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-vii, 44, and 45 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 Karns City Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023, on our consideration of Karns City Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Karns City Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Karns City Area School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

A handwritten signature in cursive script that reads "Cypher & Cypher".

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
January 11, 2023

# Management's Discussion & Analysis

Our discussion and analysis of Karns City Area School District's financial performance provides an overview of the school district financial activities for the fiscal year ended June 30, 2022. The MD&A should be read in conjunction with the financial statements and footnotes.

The Management Discussion and Analysis (MD&A) is an element of the new 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

## **THE SCHOOL DISTRICT**

The Karns City Area School District is a school district of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

The governing body of the School District is a board 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.

## **FINANCIAL HIGHLIGHTS**

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

- General fund balance has been increased from \$8,545,559 to \$8,597,436. The overall increase is the result of a both revenues ending higher than and expenditures ending lower than budget amounts.
- Real Estate Tax millage increases will be needed to cover future inflationary costs, escalating retirement costs, and declining state and federal revenues. The District has the second lowest tax millage rate in Butler County and one of the lowest rates in Armstrong and Clarion Counties.

**Revenues:** The School District's general fund received 66.1 percent of its funding from state and federal sources and 33.9 percent from local sources. Basic instructional state subsidy continues to be the primary source of revenue for the general fund. Real Estate Tax is the second most significant local revenue source funding general fund operations. It is likely that annual millage rates will continue to increase due to state revenues not keeping pace with increased costs. In addition, outside placements of students as well as unfunded mandates such as cyber charter school put an increased burden on the local taxpayers. Because the financial health of the local economy is heavily dependent on several major employers, it may or may not perform as well as many communities.

Program revenues by major source can be noted on the Statement of Activities of the audited financial statements (page v).



**Expenditures:** Total general fund spending for 2021-2022 was \$24.15 million for the year. Instructional programs expended \$13.92 million, or 57.58 percent of all general fund spending.

Actual general fund expenditures were 97.2 percent of budgeted expenditures for the year excluding fund transfers. Actual spending by function category was as follows:

	<u>2021-2022</u> <u>Expenses</u>	<u>Percentage</u>
Instructional	\$ 13,920,033	57.58
Students Services	1,362,091	5.64
Instructional Staff Services	1,106,705	4.59
Administrative Services	1,404,513	5.82
Pupil Health Services	277,297	1.15
Business Services	444,537	1.84
Operation and Maintenance of Plant	1,949,440	8.06
Student Transportation	2,391,285	9.89
Capital Outlay	109,960	0.45
Other Support Services	13,935	.06
Student Activities	617,495	2.55
Debt Service	549,702	2.27
Other Financing Uses	<u>32,423</u>	<u>0.10</u>
	\$ 24,179,416	100.00

**Explanation of Category Content:**

**Instructional Staff Services** – general instruction, library, computer services, curriculum and staff development

**Students** – guidance, psychological and other related services

**Administrative Services** – school board, tax collection, legal, superintendent, and building administration

**Business Services** – fiscal administration and risk management

**Operation and Maintenance of Plant** – building and grounds, maintenance, utilities, energy, and security services

**Student Transportation** – conveyance of students

**Other Support Services** – Midwestern Intermediate Unit IV administrative operation funding

**Student Activities** – Co-curricular student activities, including interscholastic athletics

**Debt Service** – payment of principal and interest on outstanding bonds and other debt obligations

## Financial Analysis of the Governmental Funds

The following table reflects changes in fund balance of the District's various funds. These amounts represent a short-term view of the District's finances.

	General Fund	Capital Projects Fund	Proprietary Activities
June 30, 2021	\$ 8,545,559	\$ 23,871,019	\$ 1,905,587
Increase			
(Decrease)	51,877	827,984	319,083
June 30, 2022	<u>\$ 8,597,436</u>	<u>\$ 24,699,003</u>	<u>\$ 2,224,670</u>

## Overview of Financial Statements

The basic financial statements comprise three components:

- ✓ Management's Discussion & Analysis
- ✓ The Financial Statements
- ✓ Notes & Required Supplementary Information

## Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the governmental and business-type activities that are consolidated in columns, which add to a total for the Primary Government. The focus of the Statement of Net Position is designed to be similar to bottom line results for the District and its governmental and business-type activities. This statement combines the governmental fund's current financial resources, capital assets and long-term obligations. The difference between the District's assets and liabilities are one way to measure the District's financial health or position.

The Statement of Activities is focused on both the gross and net costs of various functions, which are supported by the government's charges for services, program revenues, Federal and state subsidies, contributions and capital grants. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This statement is intended to summarize and simplify the user's analysis of cost of various governmental services provided.

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	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Current and Other Assets	\$ 35,530,305	\$ 36,602,923	\$ 1,848,109	\$ 2,182,659	\$ 37,378,414	\$ 38,785,582
Non Current Assets	11,974,027	12,104,590	145,201	136,860	12,119,228	12,241,450
Deferred Outflows	6,491,897	6,504,137			6,491,897	6,504,137
Total Assets & Deferred Outflows	<u>53,996,229</u>	<u>55,211,650</u>	<u>1,993,310</u>	<u>2,319,519</u>	<u>55,989,539</u>	<u>57,531,169</u>
Current and Other Liabilities	2,968,288	3,497,124	87,723	94,849	3,056,011	3,591,973
Non Current Liabilities	66,223,153	60,744,119			66,223,153	60,744,119
Deferred Inflows	2,945,139	6,914,846			2,945,139	6,914,846
Total Liabilities & Deferred Inflow:	<u>72,136,580</u>	<u>71,156,089</u>	<u>87,723</u>	<u>94,849</u>	<u>72,224,303</u>	<u>71,250,938</u>
Net Investment in Capital Assets	11,161,122	11,111,147	145,201	136,860	11,306,323	11,248,007
Restricted	2,512,744	3,339,846	1,741,078	1,743,106	4,253,822	5,082,952
Unrestricted	(31,814,217)	(30,395,432)	19,308	344,704	(31,794,909)	(30,050,728)
Total Net Position	<u>\$ (18,140,351)</u>	<u>\$ (15,944,439)</u>	<u>\$ 1,905,587</u>	<u>\$2,224,670</u>	<u>\$ (16,234,764)</u>	<u>\$ (13,719,769)</u>

**Assets, Liabilities and Net Position**

Total assets and deferred outflows for the period ending June 30, 2022 were \$57,531,169 with cash and cash equivalents and investments representing 63.8% of that total.

The value of capital assets included in non-current assets total \$49,473,114, with accumulated depreciation of \$38,160,470 resulting in net capital assets of \$11,312,644.

Primary liabilities of the District include a net pension liability of \$29,195,900, Other Post Employment Benefit (OPEB) liabilities totaling \$9,650,609, and accrued salaries and benefits of \$2,598,349. These liabilities accompanied with total assets have resulted in net position of a deficit \$(13,719,769).

The total net position of the District is comprised of three components. The net investment in capital assets totals \$11,248,007 restricted net position totals \$5,082,952, and unrestricted net position totals \$(30,050,728).

## Statement of Activities

The following schedule discloses the revenues and expenses for the current period:

### STATEMENT OF ACTIVITIES as of June 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Program Revenues:						
Charges for Services	\$ 327,952	\$ 392,169	\$ 92,289	\$ 133,946	\$ 420,241	\$ 526,115
Operating Grants and Contributions	7,396,231	7,360,368	909,283	1,198,970	8,305,514	8,559,338
General Revenues:						
Property Taxes	6,129,568	6,087,714			6,129,568	6,087,714
Other Taxes	1,204,131	1,336,271			1,204,131	1,336,271
Grants Subsidies and Contributions	9,850,725	9,902,142			9,850,725	9,902,142
Other	136,168	133,950	1,741	2,028	137,909	135,978
	25,044,775	25,212,614	1,003,313	1,334,944	26,048,088	26,547,558
Expenditures:						
Depreciation	572,472	511,291			572,472	511,291
Instruction	13,830,055	12,759,351			13,830,055	12,759,351
Instructional Student Support	2,247,803	2,302,999			2,247,803	2,302,999
Administrative and Financial Support	2,019,107	1,685,191			2,019,107	1,685,191
Operation and Maintenance of Plant	2,039,554	1,857,764			2,039,554	1,857,764
Pupil Transportation	2,134,085	2,391,285			2,134,085	2,391,285
Student Activities	552,307	564,385			552,307	564,385
Debt Service	212,304	944,436			212,304	944,436
Food Service			986,413	1,015,861	986,413	1,015,861
	23,607,687	23,016,702	986,413	1,015,861	24,594,100	24,032,563
Change in Net Position	\$ 1,437,088	\$ 2,195,912	\$ 16,900	\$ 319,083	\$ 1,453,988	\$ 2,514,995

## FUTURE ECONOMIC FACTORS

### Capital Improvement Plan

The District has maintained its facilities with funding through the Capital Reserve Fund as well as the General Fund. With the expectation of work to be completed at Chicora Elementary, maintenance has been selective to ensure the best use of taxpayer funds. It is expected that by the summer of 2023, the District will begin construction at the Chicora Elementary site, with consolidation of the elementary schools occurring in the following years. With the construction of the new facility, the District is anticipating a deferral to capital outlay at the Chicora Elementary location. With that expectation, the District can prioritize capital projects at the Karns City High School location until further work can be evaluated. The District has made an effort, and will continue to focus on mechanical maintenance, as well as maintaining up to date technology in the learning space.

## Debt Administration

The following table reflects the District's long-term debt obligations:

<u>Authority Obligations</u>	<u>Bonds Payable</u>	<u>Retirement Obligations</u>	<u>Pension Liability</u>	<u>Total</u>
\$ 553,390	\$21,522,417	\$9,650,609	\$29,195,900	\$60,922,316

The District issued the Series of 2021 Bonds during the 20/21 school year for the purpose of funding the Chicora Elementary School additions and renovations project. The Authority obligations with the Vo-Tech were refinanced in the 15/16 year and then again in the 20/21 school year. The most recent refinance that was settled in May 2021 resulted in a reduced payment for both the 20/21 year and the subsequent 21/22 year. Bond payments for the Vo-Tech will return to the increased amount in the 23/24 school year. The retirement obligations include the amounts for GASB Statement #75, which was implemented in the 17/18 year. The District initiated a bond issuance in May of 2021 to fund the estimated \$21.5 million project at Chicora Elementary. The bond was issued at this time to take advantage of the then current favorable rate environment. Repayment will be over a 30 year term, with the first two years' payments being interest only, and fully amortizing thereafter. Funds will be used for expenses related to the Chicora Elementary renovation and consolidation, with the option to reimburse the District for costs incurred prior to issuance, if applicable.

## Pennsylvania School Employees' Retirement System Crisis

It is anticipated that the fund will require significantly increased contributions from the school systems within the State. Projections from the retirement system have indicated that the rate to school systems will increase from the 2021-2022 rate of 34.94% to an ultimate peak of 38.35% in 2030-2031. The most recent projections indicate this will result in an estimated net increase of nearly \$200,000 per year in retirement contributions from the District.

## Technology

Karns City Area School District had invested several million dollars to acquire technology in the form of equipment, software, and infrastructure. BluChip Solutions, Inc. is the current contractor who provides the District with technology staffing and support services. These technology services are contracted through June 30, 2027. The District was in receipt of Federal grant funds in the 2019-2020 school year, which were utilized to purchase additional Chromebooks. As a result of these funds, the District achieved its goal of having at least one Chromebook for each student enrolled in the District. In addition, the District continues to outfit the classrooms with updated Promethean boards to improve the educational environment. Attempts to provide budgeted funds for replacement and upgrade of this technology in an effort to remain reasonably current have been very successful. Future technology expenditures must be closely scrutinized due to funding constraints.

## **Revenue Uncertainty**

Funding for public schools was deeply cut in the 2011-12 state budget and is slowly recovering. As School districts are faced with lower state funding, pension increases, higher health care costs, no mandate relief and weakened authority to raise revenue due to Act 1 of 2006, prudent financial management and cost savings strategies will be key to the continued positive financial state of the district.

## **Staffing**

The District continues to evaluate the needs of staffing at all points during the year. Staffing shortages, particularly substitutes, has been of concern, as normal school operations have begun to occur. With this consideration in mind, the District continues to make responsible decisions regarding staffing to ensure the smoothest transition of staff at the time in which Sugarcreek Elementary is closed. When resignations or retirements occur, the District evaluates the short term and long term objectives at that time to determine the need for additional staffing. Prudent decision making will continue to be necessary regarding staffing until the District's facilities are right-sized to two buildings.

There are no contracts set to expire in the upcoming year, however, the professional teaching staff contract will expire in June 30, 2024 and the support staff contract will expire in June 30, 2025.

## **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 the funds it receives. Questions concerning this report or a request for additional information should be addressed to Mr. Evan McGarvey, Director of Business Affairs for the Karns City Area School District, 1446 Kittanning Pike, Karns City, PA 16041, telephone number (724) 756-2030, ext.1014.

# Basic Financial Statements

KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 34,587,795	\$ 2,105,662	\$ 36,693,457
Taxes Receivable (Net)	558,449		558,449
State Revenue Receivable	997,011		997,011
Federal Revenue Receivable	322,546		322,546
Internal Balances	(55,554)	55,554	
Other Receivables	29,230	1,406	30,636
Inventories		20,037	20,037
Prepaid Expenses/Expenditures	163,446		163,446
Long Term Receivables	30,592		30,592
Investment in Joint Venture	652,013		652,013
Right to Use Intangible Asset	246,201		246,201
Capital Assets (net)	11,175,784	136,860	11,312,644
<b>TOTAL ASSETS</b>	<b>48,707,513</b>	<b>2,319,519</b>	<b>51,027,032</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension and OPEB Related	6,504,137		6,504,137
Total Deferred Outflows of Resources	6,504,137		6,504,137
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 55,211,650</b>	<b>\$ 2,319,519</b>	<b>\$ 57,531,169</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 146,431	\$ 25,163	\$ 171,594
Accrued Salaries and Benefits	2,576,679	21,670	2,598,349
Interest Payable	230,959		230,959
Unearned Revenue	114,554	48,016	162,570
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Authority Lease Obligations	4,136		4,136
Lease Liability	80,052		80,052
OPEB Obligation	344,313		344,313
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	21,522,417		21,522,417
Authority Lease Obligations	549,254		549,254
Lease Liability	170,252		170,252
Net Pension Liability	29,195,900		29,195,900
OPEB - Health Insurance Premium Share Liability	1,683,100		1,683,100
Compensated Absences	77,210		77,210
OPEB Obligation	7,545,986		7,545,986
Total Liabilities	64,241,243	94,849	64,336,092
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Long Term Receivables	30,592		30,592
Pension and OPEB Related	6,884,254		6,884,254
Total Deferred Inflows of Resources	6,914,846		6,914,846
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,111,147	136,860	11,248,007
Restricted for:			
Capital Projects	3,339,846		3,339,846
Retirement Obligations		1,117,814	1,117,814
Risk Management		625,292	625,292
Unrestricted	(30,395,432)	344,704	(30,050,728)
<b>TOTAL NET POSITION</b>	<b>(15,944,439)</b>	<b>2,224,670</b>	<b>(13,719,769)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 55,211,650</b>	<b>\$ 2,319,519</b>	<b>\$ 57,531,169</b>

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



KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Depreciation - Unallocated	\$ 511,291	\$	\$	\$ (511,291)	\$	\$ (511,291)
Instruction	12,759,351	360,404	4,944,502	(7,454,445)		(7,454,445)
Instructional Student Support	2,302,999		339,808	(1,963,191)		(1,963,191)
Administrative and Financial Support	1,685,191		269,454	(1,415,737)		(1,415,737)
Operation and Maintenance of Plant	1,857,764	7,727	242,778	(1,607,259)		(1,607,259)
Pupil Transportation	2,391,285		1,468,237	(923,048)		(923,048)
Student Activities	564,385	24,038	81,382	(458,965)		(458,965)
Interest on Long-Term Debt	944,436		14,207	(930,229)		(930,229)
Total Governmental Activities	23,016,702	392,169	7,360,368	(15,264,165)		(15,264,165)
Business Type Activities						
Food Service	1,015,861	133,946	1,198,970		317,055	317,055
Risk Management						
Retirement Obligations						
Total Business Type Activities	1,015,861	133,946	1,198,970		317,055	317,055
Total Government	\$ 24,032,563	\$ 526,115	\$ 8,559,338	\$ (15,264,165)	\$ 317,055	\$ (14,947,110)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				6,087,714		6,087,714
Other Taxes				1,336,271		1,336,271
Grants, Subsidies and Contributions, Unrestricted				9,902,142		9,902,142
Investment Earnings				135,461	2,028	137,489
Miscellaneous Income (Expense)				(1,511)		(1,511)
Total General Revenues, Special and Extraordinary Items and Transfers				17,460,077	2,028	17,462,105
Change in Net Position				2,195,912	319,083	2,514,995
Net Position - Beginning				(18,140,351)	1,905,587	(16,234,764)
Net Position - Ending				<u>\$ (15,944,439)</u>	<u>\$ 2,224,670</u>	<u>\$ (13,719,769)</u>

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

KARNS CITY AREA SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Governmental Funds		
	General Fund	Capital Projects Fund	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,864,102	\$ 24,723,693	\$ 34,587,795
Taxes Receivable (Net)	89,629		89,629
State Revenue Receivable	997,011		997,011
Federal Revenue Receivable	322,546		322,546
Other Receivables (Net)	29,230		29,230
Prepaid Expenditures	163,446		163,446
<b>TOTAL ASSETS</b>	<b>\$ 11,465,964</b>	<b>\$ 24,723,693</b>	<b>\$ 36,189,657</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Due to Other Funds	\$ 55,554	\$	\$ 55,554
Accounts Payable	121,741	24,690	146,431
Accrued Salaries and Benefits	2,576,679		2,576,679
Unearned Revenue	114,554		114,554
<b>Total Liabilities</b>	<b>2,868,528</b>	<b>24,690</b>	<b>2,893,218</b>
Fund Balances:			
Nonspendable:			
Prepaid Expenditures	163,446		163,446
Committed to:			
Capital Projects		24,699,003	24,699,003
Unassigned:	8,433,990		8,433,990
<b>Total Fund Balances</b>	<b>8,597,436</b>	<b>24,699,003</b>	<b>33,296,439</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 11,465,964</b>	<b>\$ 24,723,693</b>	<b>\$ 36,189,657</b>

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

KARNS CITY AREA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022

<b>Total Fund Balances - Governmental Funds</b>	\$ 33,296,439
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 \$48,782,720 and the accumulated depreciation is \$37,606,936.	11,175,784
Net Investments in Joint Ventures are not financial resources and are not reported as assets in the governmental funds.	652,013
Right to Use Intangible Lease assets are not reported in the governmental funds.	246,201
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(21,522,417)
Long-term liabilities, including retirement and compensated absences, are not due and payable in the current period and are not reported as liabilities in the funds.	(9,650,609)
Long-term liabilities, including lease purchase obligations, are not due and payable in the current period and are not reported as liabilities in the funds.	(553,390)
Long-term liabilities, including leases payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(250,304)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	30,592
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.	(230,959)
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(29,195,900)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the	
Deferred outflows of resources related to pensions and OPEB.	6,504,137
Deferred inflows of resources related to pensions and OPEB.	(6,884,254)
Deferred inflows of resources related to long term receivable for debt payments.	(30,592)
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.	468,820
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ (15,944,439)</u></u>

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

KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Funds		
	General	Capital Projects Fund	Totals
<b>Revenues</b>			
Local Sources			
Taxes	\$ 7,423,985	\$	\$ 7,423,985
Other Local Revenues	1,123,433	61,091	1,184,524
State Sources	16,453,795		16,453,795
Federal Sources	223,093		223,093
Total Revenues	<u>25,224,306</u>	<u>61,091</u>	<u>25,285,397</u>
<b>Expenditures</b>			
Instruction	13,920,033		13,920,033
Support Services	8,949,803		8,949,803
Operation Of Non-Instructional Services	617,495		617,495
Capital Outlay	109,960	226,120	336,080
Debt Service			
Principal and Interest	549,702		549,702
Total Expenditures	<u>24,146,993</u>	<u>226,120</u>	<u>24,373,113</u>
Excess (Deficiency) of Revenues Over Expenditures	1,077,313	(165,029)	912,284
<b>Other Financing Sources &amp; (Uses)</b>			
Refund of Prior Year Receipts	(32,423)		(32,423)
Interfund Transfers In	6,987	1,000,000	1,006,987
Interfund Transfers (Out)	(1,000,000)	(6,987)	(1,006,987)
Total Other Financing Sources & (Uses)	<u>(1,025,436)</u>	<u>993,013</u>	<u>(32,423)</u>
Net Change in Fund Balances	51,877	827,984	879,861
Fund Balances - July 1, 2021	<u>8,545,559</u>	<u>23,871,019</u>	<u>32,416,578</u>
Fund Balances - June 30, 2022	<u>\$ 8,597,436</u>	<u>\$ 24,699,003</u>	<u>\$ 33,296,439</u>

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

KARNS CITY AREA 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	879,861
Depreciation Expense		(511,291)
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		436,008
Disposition of Fixed Assets		(40,360)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest 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.		(210,012)
Amortization of lease assets and interest expense related to lease liabilities.		(4,956)
Bond Premium and Discount Amortization		64,372
Repayment of lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		414
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.		(326,657)
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	63,477	
Cost of benefits earned net of employee contributions	1,845,056	1,908,533
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>2,195,912</u></b>

KARNS CITY AREA 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
<b>Revenues</b>				
Local Sources				
Taxes	\$ 7,292,176	\$ 7,292,492	\$ 7,423,985	\$ 131,493
Other Local Revenues	997,922	997,923	1,123,433	125,510
State Sources	16,557,026	16,557,027	16,453,795	(103,232)
Federal Sources	19,674	19,674	223,093	203,419
Total Revenues	24,866,798	24,867,116	25,224,306	357,190
<b>Expenditures</b>				
Instruction				
Regular Programs	12,029,757	12,029,758	11,803,491	(226,267)
Special Programs	1,537,790	1,541,794	1,512,488	(29,306)
Vocational Education	520,434	520,434	504,607	(15,827)
Other Instructional Programs	50,000	50,000	94,952	44,952
Nonpublic Education			4,495	4,495
Total Instruction	14,137,981	14,141,986	13,920,033	(221,953)
Support Services				
Students	1,257,033	1,257,033	1,362,091	105,058
Instructional Staff	1,161,092	1,161,093	1,106,705	(54,388)
Administration	1,470,724	1,470,725	1,404,513	(66,212)
Pupil Health	343,513	343,513	277,297	(66,216)
Business	488,136	488,136	444,537	(43,599)
Operation & Maintenance of Plant Services	2,131,297	2,128,797	1,949,440	(179,357)
Student Transportation Services	2,305,000	2,305,000	2,391,285	86,285
Other Support Services	15,000	15,000	13,935	(1,065)
Total Support Services	9,171,795	9,169,297	8,949,803	(219,494)
Operation of Non-Instructional Services				
Student Activities	680,654	676,648	617,495	(59,153)
Total Non-Instructional Services	680,654	676,648	617,495	(59,153)
Capital Outlay	133,535	136,035	109,960	(26,075)
Debt Service				
Principal and Interest	550,218	550,218	549,702	(516)
Total Expenditures	24,674,183	24,674,184	24,146,993	(527,191)
Excess (Deficiency) of Revenues Over Expenditures	192,615	192,932	1,077,313	884,381
<b>Other Financing Sources &amp; (Uses)</b>				
Refund of Prior Year Receipts			(32,423)	(32,423)
Interfund Transfers In			6,987	6,987
Interfund Transfers (Out)			(1,000,000)	(1,000,000)
Budgetary Reserve	(192,933)	(192,932)		192,932
Total Other Financing Sources & (Uses)	(192,933)	(192,932)	(1,025,436)	(832,504)
Net Change in Fund Balances	(318)	(0)	51,877	51,877
Fund Balance - July 1, 2021	8,545,559	8,545,559	8,545,559	
Fund Balance - June 30, 2022	\$ 8,545,241	\$ 8,545,559	\$ 8,597,436	\$ 51,877

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

KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2022

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 362,556	\$ 625,292	\$ 1,117,814
Due from Other Funds	55,554		
Other Receivables	1,406		
Inventories	20,037		
Total Current Assets	<u>439,553</u>	<u>625,292</u>	<u>1,117,814</u>
Noncurrent Assets:			
Food Service Equipment (Net of Depreciation)	136,860		
Total Noncurrent Assets	<u>136,860</u>		
<b>TOTAL ASSETS</b>	<u><u>\$ 576,413</u></u>	<u><u>\$ 625,292</u></u>	<u><u>\$ 1,117,814</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 25,163	\$ -	\$ -
Accrued Salaries and Benefits	21,670		
Unearned Revenue	48,016		
Total Current Liabilities	<u>94,849</u>		
<b>NET POSITION</b>			
Net Investment in Capital Assets	136,860		
Restricted for:			
Risk Management		625,292	
Retirement Obligations			1,117,814
Unrestricted	344,704		
Total Net Position	<u>481,564</u>	<u>625,292</u>	<u>1,117,814</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 576,413</u></u>	<u><u>\$ 625,292</u></u>	<u><u>\$ 1,117,814</u></u>

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

KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
<b>Operating Revenues</b>			
Food Service Revenue	\$ 133,946	\$	\$
Total Operating Revenue	133,946		
<b>Operating Expenses</b>			
Personal Services - Salaries	275,459		
Personal Services - Benefits	136,130		
Purchased Property Services	2,302		
Other Purchased Services	57,863		
Supplies	502,981		
Other Objects	30,112		
Depreciation Expense	11,014		
Total Operating Expenses	1,015,861		
Operating Income (Loss)	(881,915)		
<b>Nonoperating Revenues (Expenses)</b>			
Operating Subsidies			
State Subsidies	92,185		
Federal Subsidies			
Lunch and Breakfast Subsidies	1,031,203		
Value of Donated Commodities Received	75,582		
Earnings on Investments		727	1,301
Total Nonoperating Revenue and Expense	1,198,970	727	1,301
Change in Net Position	317,055	727	1,301
Net Position - July 1, 2021	164,509	624,565	1,116,513
Net Position - June 30, 2022	\$ 481,564	\$ 625,292	\$ 1,117,814

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



KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 132,554	\$	\$
Cash Payments to Employees for Services	(429,372)		
Cash Paid to Suppliers for Goods and Services	(522,483)		
Net Cash Provided (Used) by Operating Activities	(819,301)		
<b>Cash Flows from Noncapital Financing Activities:</b>			
Grants and Subsidies Received for Non-Operating Activities			
State Subsidies	92,185		
Federal Subsidies	1,041,366		
Net Cash Provided (Used) by Noncapital Financing Activities	1,133,551		
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Equipment	(2,673)		
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,673)		
<b>Cash Flows from Investing Activities:</b>			
Earnings on Investments		727	1,301
Net Cash Provided (Used) by Investing Activities		727	1,301
Net Increase (Decrease) in Cash and Cash Equivalents	311,577	727	1,301
Cash and Cash Equivalents, Beginning of Year	50,979	624,565	1,116,513
Cash and Cash Equivalents, End of Year	\$ 362,556	\$ 625,292	\$ 1,117,814
<b>Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities</b>			
Operating Income (Loss)	\$ (881,915)	\$	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:			
Depreciation	11,014		
Donated Commodities Used	75,582		
Changes in Assets and Liabilities:			
Accounts Receivable	(1,392)		
Inventories	12,963		
Due to/Due From Other Funds	(42,679)		
Accounts Payable	8,329		
Accrued Payables	(17,783)		
Unearned Revenues	16,580		
Total Adjustments	62,614		
Net Cash Provided (Used) by Operating Activities	\$ (819,301)	\$	\$

**Noncash Noncapital Financing Activities:**

During the year, the District received \$66,006 of food commodities from the U.S. Department of Agriculture.

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

KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2022

	Private Purpose Trust Funds	Custodial Funds Student Activities
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 44,388	\$ 106,905
Investments	157,833	
<b>TOTAL ASSETS</b>	<u>\$ 202,221</u>	<u>\$ 106,905</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 250	\$ -
Total Liabilities	250	-
<b>NET POSITION</b>		
Restricted		106,905
Unrestricted	201,971	
Total Net Position	<u>201,971</u>	<u>106,905</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 202,221</u>	<u>\$ 106,905</u>

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

KARNS CITY AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Private Purpose Trust Funds	Custodial Funds Student Activities
<b>Additions</b>		
Gifts and contributions	\$ 7,000	\$ -
Student Activity Revenue		121,613
Interest Income	947	
Total Additions	7,947	121,613
<b>Deductions</b>		
Student Activity		124,983
Scholarship Awards	2,500	
Total Deductions	2,500	124,983
Changes in Net Position	5,447	(3,370)
Net Position - July 1, 2021	196,524	110,275
Net Position - June 30, 2022	\$ 201,971	\$ 106,905

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

# Karns City Area School District

## Notes to the Basic Financial Statements

### June 30, 2022

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

The Karns City Area School District (the "School District") provides public education to residents of the Boroughs of Bruin, Fairview, Chicora, Petrolia, East Brady, and Karns City and the Townships of Donegal, Parker, Perry, Bradys Bend and Fairview in the Counties of Butler, Armstrong and Clarion, Pennsylvania from its three elementary schools and high/middle school.

#### **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 Karns City Area 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: Butler County Area Vocational Technical School. The Vo-Tech School is not considered part of the reporting entity, as the School District is not financially accountable for the Vo-Tech School. See Note 10 for details on operating information about these entities.

#### **B. Basis of Presentation**

The financial statements of Karns City Area 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 which 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 year end. 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, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the 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 that are 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 statement 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 and the Capital Projects 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 reserve and capital projects funds and accounts for funds which are typically borrowed or transferred from the general fund and used for major capital improvements.

## **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 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 Funds**

The Internal Service Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District maintains two internal service funds.

#### ***Risk Management***

The Risk Management Fund accounts for the financial transactions related to the risk management activities of the School District. This fund is used to account for the potential claims arising from certain torts, thefts, damages, and catastrophic loss of assets, errors and omissions, injury to employees and natural disasters incurred by the School District. The School District uses this fund to accumulate funds to protect against losses for which insurance cannot be obtained by reason of policy limitations or deductibles or uninsurability. See Note 14 for additional details on the operation of this fund.

#### ***Retirement Obligations Fund***

The Retirement Obligations Fund was established by the School District to account for funds accumulated to provide for payment of post retirement insurance benefits and retirement incentives.

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. The principal operating revenues of the School District's internal service funds are premium charges and transfers from the general fund. Operating expenses for the School District's internal service fund include payments for claims and payments for post retirement obligations. 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 account for 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.

#### ***Private Purpose Trust Funds***

This is a non-expendable trust fund established by an individual to provide income for a continuing scholarship. The basis of accounting for non-expendable trust funds is full accrual.

#### ***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. These organizations exist with the explicit approval of and are subject to revocation by the Board.

### **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 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 reflects 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 and include 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 Company, 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.

	<b>FDIC Insured</b>	<b>Pooled Collateral</b>	<b>Bank Balance</b>	<b>Carrying Amount</b>
Cash and Deposits	<u>\$ 378,976</u>	<u>\$ 37,662,822</u>	<u>\$ 38,041,798</u>	<u>\$ 36,844,750</u>

### ***Investments***

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

	<b>Cost</b>	<b>Fair Value</b>
Certificates of Deposit	<u>\$ 157,833</u>	<u>\$ 157,833</u>
Total	<u>\$ 157,833</u>	<u>\$ 157,833</u>

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 (FIFO) 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 food and non food supplies (valued at cost) and 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 a 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, 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 Business Manager 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 major funds are \$8,597,436 in the General Fund, consisting of nonspendable prepaid amounts of \$163,446 and unassigned amounts of \$8,433,990. In addition \$24,699,003 is a committed fund balance in the Capital Projects Fund.

The Risk Management and Retirement Obligations Fund net position of \$625,292 and \$1,117,814 are for the School District's risk management activities and retirement obligations, respectively. In addition, \$481,564 is included in net position of the School District's Food Service 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 January 11, 2023, 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 1<sup>st</sup> 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 \$98.7 million. The School District tax rates for the year ended June 30, 2022 varied by county as determined by the State Tax Equalization Board and were 92.36 mills for Butler County, 47.58 mills for Clarion County and 44.71 mills for Armstrong County as levied by the School Board.

Taxes may be paid at a 2% discount until September 30<sup>th</sup>, at face until November 30<sup>th</sup>, 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 \$89,629.

### 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
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	\$ 38,526	\$	\$	\$ 38,526
Depreciable Assets				
Land Improvements	3,904,869			3,904,869
Buildings	40,356,203	233,107		40,589,310
Equipment	4,110,999	202,901	(63,885)	4,250,015
Totals at historical cost	48,410,597	436,008	(63,885)	48,782,720
Less accumulated depreciation for:				
Land Improvements	(3,943,055)	(149,133)		(4,092,188)
Buildings	(29,024,396)	(228,105)		(29,252,501)
Equipment	(4,151,719)	(134,053)	23,525	(4,262,247)
Total accumulated depreciation	(37,119,170)	(511,291)	23,525	(37,606,936)
Governmental activities capital assets, net	<u>\$ 11,291,427</u>	<u>\$ (75,283)</u>	<u>\$ (40,360)</u>	<u>\$ 11,175,784</u>
<b>Business-type Activities</b>				
Depreciable Assets:				
Equipment	\$ 687,721	\$ 2,673	\$	\$ 690,394
Totals at historical cost	687,721	2,673		690,394
Less accumulated depreciation for:				
Equipment	(542,520)	(11,014)		(553,534)
Total accumulated depreciation	(542,520)	(11,014)		(553,534)
Business-type activities capital asset, net	<u>\$ 145,201</u>	<u>\$ (8,341)</u>	<u>\$</u>	<u>\$ 136,860</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ -
Support	
Administration	
Plant	
Transportation	
Student Activities	
Unallocated-Governmental Funds	511,291
Total depreciation expense	<u>\$ 511,291</u>

In the 2021-2022 school year, building renovations and equipment purchases added \$436,008 to the historical cost of governmental activities and \$2,673 to the historical cost of business activities. Depreciation expense for that same time period was \$511,291 and \$11,014 for the governmental activities and business activities. Following disposals netting a reduction of \$40,360 for the governmental activities, the result is a book value decrease of \$115,643 in the governmental activities and a decrease of \$8,341 for the business activities.

## 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	\$ 19,720,000	\$ -	\$ -	\$ 19,720,000	\$ -
Authority Lease Obligations	553,804		(414)	553,390	4,136
Add: Bond Premium	1,962,102		(67,659)	1,894,443	
Less: Bond Discount	(95,313)		3,287	(92,026)	
Total bonds, loans and leases payable	22,140,593	-	(64,786)	22,075,807	4,136
Other liabilities:					
Post retirement benefits & Compensated absences	69,912	12,870	(5,572)	77,210	
Pension Liability	34,717,200	1,532,000	(7,053,300)	29,195,900	
Health Insurance Premium Share (OPEB)	1,530,100	237,000	(84,000)	1,683,100	
OPEB Obligation	8,068,636	165,976	(344,313)	7,890,299	344,313
Total other liabilities	44,385,848	1,947,846	(7,487,185)	38,846,509	344,313
Governmental activities long-term liabilities	\$ 66,526,441	\$ 1,947,846	\$ (7,551,971)	\$ 60,922,316	\$ 348,449

### ***School Lease Revenue Bonds***

The General Fund is used to liquidate the long-term liability for post-retirement benefits and compensated absences.

During 2010/2011, the Butler County Area Vocational-Technical School Authority issued lease revenue bonds in the principal amount of \$8,265,000. The purpose of the bonds is to pay a portion of the cost of additions and renovations to the BCAVTS facilities. During the 15/16 year, these bonds were refinanced with the issuance of the School Lease Revenue Bonds, Series of 2015. During the 20/21 year, these bonds were refinanced with the issuance of the School Lease Revenue Bonds, Series of 2021. The School District is responsible for a prorated share of this debt in the amount of \$553,804, with final payment due in 2040. The annual amounts necessary to amortize the bonds payable outstanding as of June 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 4,136	\$ 13,017	\$ 17,153
2024	26,056	12,893	38,949
2025	27,297	11,851	39,148
2026	28,124	10,759	38,883
2027	29,365	9,634	38,999
2028-2032	155,512	39,138	194,650
2033-2037	170,815	23,000	193,815
2038-2040	112,085	5,026	117,111
Total	\$ 553,390	\$ 125,318	\$ 678,708



**Capital Improvement Bonds**

During the 20/21 year, the School District issued General Obligation Bonds, Series of 2021, for the purpose of funding the Chicora Elementary School additions and renovations project and paying the costs of issuance of the bonds. The bonds consist of an original principal balance of \$19,720,000, variable rate interest from 3.00% - 4.00%, with final payment due in 2051. The amounts necessary to amortize these bonds outstanding are as follows:

	Principal	Interest	Total
2023	\$ -	\$ 677,300	\$ 677,300
2024	405,000	669,200	1,074,200
2025	420,000	652,700	1,072,700
2026	435,000	635,600	1,070,600
2027	455,000	617,800	1,072,800
2028-2032	2,550,000	2,899,250	5,449,250
2033-2037	3,020,000	2,339,750	5,359,750
2038-2042	3,505,000	1,851,425	5,356,425
2043-2047	4,075,000	1,284,125	5,359,125
2048-2052	4,855,000	501,100	5,356,100
Total	<u>\$ 19,720,000</u>	<u>\$ 12,128,250</u>	<u>\$ 31,848,250</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](http://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 presented 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%
				6.25%
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 \$3,447,165 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 \$29,195,900 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 covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.0710%, which was an increase of 0.0005% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,532,000. 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	\$ 22,000	\$ 384,000
Changes in Assumptions	1,416,000	
Net difference between projected and actual investment earnings		4,646,000
Changes in proportions	287,000	716,000
Contributions subsequent to the measurement date	3,447,165	
	<u>\$ 5,172,165</u>	<u>\$ 5,746,000</u>

\$3,447,165 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	\$ (1,175,000)
2023	(853,000)
2024	(493,000)
2025	(1,501,000)

#### Actuarial assumptions

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

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, 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	\$ 38,315,000	\$ 29,191,000	\$ 21,495,000

### 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](http://www.psers.state.pa.us).

	Schedule of Employer Contributions							
	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 3,374,160	\$ 3,293,711	\$ 3,291,503	\$ 3,093,386	\$ 2,818,957	\$ 2,651,688	\$ 2,503,397	\$ 2,221,321
Contributions in relation to the actuarially determined contribution	3,374,160	3,293,711	3,291,503	3,093,386	2,818,957	2,382,897	1,964,989	1,492,071
Contribution Deficiency	-	-	-	-	-	268,791	538,408	729,250
Covered Payroll	10,066,346	9,934,538	10,139,573	9,811,371	9,817,175	9,701,676	9,791,352	9,560,501
Contribution as a percentage of covered payroll	33.52%	33.15%	32.46%	31.53%	28.71%	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
- Area 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](http://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 \$80,777 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 \$1,683,100 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, 2021 to June 30, 2022. 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 0.0710%, which was an increase of 0.0005% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expenses of \$89,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 16,000	\$ -
Changes in Assumptions	179,000	22,000
Net difference between projected and actual investment earnings	3,000	
Changes in proportions	11,000	55,000
Contributions subsequent to the measurement date	80,777	
	<u>\$ 289,777</u>	<u>\$ 77,000</u>



\$80,777 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	\$ 16,000
2023	16,000
2024	30,000
2025	27,000
2026	20,000
Thereafter	23,000

#### 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.

<u>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	-0.3%
	<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 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	\$ 1,931,000	\$ 1,683,000	\$ 1,478,000

OPEB plan fiduciary net position

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

**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	\$ 95,119	\$ 97,837	\$ 102,521	\$ 98,129	\$ 92,636	\$ 96,991
Contributions in relation to the actuarially determined contribution	82,619	82,995	84,210	81,447	81,481	84,305
Contribution Deficiency	12,500	14,842	18,311	16,682	11,155	12,686
Covered Payroll	10,066,346	9,934,538	10,139,573	9,811,371	9,817,175	9,701,676
Contribution as a percentage of covered payroll	0.82%	0.84%	0.83%	0.83%	0.83%	0.87%

## Note 7 - Compensated Absences

The School District has made early retirement benefits available to certain employees. The benefit is payment for unused sick days at retirement. The payable for declared retirements are recorded as current liabilities 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:

	Sick Day Liability
June 30, 2021 Balance	\$ 69,912
Increases	12,870
Decreases	(5,572)
June 30, 2022 Balance	<u>\$ 77,210</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.

*Funded Status and Funding Progress.* As of June 30, 2022, the actuarial accrued liability for benefits was \$7,890,299, 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 \$612,281. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 749,944
Changes in Assumptions	742,262	311,310
Benefit payments subsequent to the measurement date	299,933	
	<u>\$ 1,042,195</u>	<u>\$ 1,061,254</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	\$	(35,114)
2024		(35,114)
2025		(35,114)
2026		(35,114)
2027		(35,114)
Thereafter		(143,422)

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate this is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
Net OPEB Liability	\$ 8,382,551	\$ 7,890,299	\$ 7,411,565

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 7,070,767	\$ 7,890,299	\$8,847,785

## Schedule of Changes in the Total OPEB Liability and Related Ratios

	2022	2021	2020	2019	2018
Service Cost	\$ 491,643	\$ 360,140	\$ 439,079	\$ 411,936	\$ 363,719
Interest	155,752	242,700	233,157	233,067	158,980
Changes of Benefit Terms			(39,654)		
Difference between expected and actual experience	(276,076)		(686,079)		
Changes of Assumptions	(205,343)	741,540	(171,375)	14,573	197,745
Benefit Payments	(344,313)	(302,874)	(290,180)	(331,013)	(284,212)
Other Changes				602,407	
Net Change in total OPEB Liability	(178,337)	1,041,506	(515,052)	930,970	436,232
Total OPEB liability - beginning of year	8,068,636	7,027,130	7,542,182	6,611,212	6,174,980
Total OPEB liability - end of year	\$ 7,890,299	\$ 8,068,636	\$ 7,027,130	\$ 7,542,182	\$ 6,611,212
Covered-employee payroll	\$ 9,223,717	\$ 8,730,902	\$ 8,730,902	\$ 8,734,193	\$ 8,734,193
Total OPEB liability as a percentage of covered-employee payroll	85.54%	92.41%	80.49%	86.35%	75.69%

The following assumptions were also made:

*Actuarial Cost Method* – Entry Age Normal

*Asset Valuation Method* – Market value

*Salary Increases* – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

*Withdrawal* – Rate of withdrawal vary by age, gender, and years of service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

*Discount Rate* –2.28%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.

*Retirement* – Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

Age	Special Early Retirement		Superannuation	
	Male	Female	Male	Female
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

*Percentage of Eligible Retirees Electing Coverage in Plan* – 100% of Teachers and Administrators eligible for the district subsidy and 20% of employees only eligible for Act 110/43 are assumed to elect coverage. It is assumed that Vested Former Members who are eligible for coverage will return to the plan at age 62.

*Percent Married at Retirement* – 80% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

*Spouse age* – Wives are assumed to be two years younger than their husbands.

*Mortality* – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

*Disability* – No disability was assumed.

*Retiree Contributions* – Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term reserve applications.

*Health Care Cost Trend Rate* – 5.5% in 2021 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

## **Note 9 – Lease Assets and Liabilities**

During June 2020, the District entered into a lease with US Bank Equipment Finance for the use of copy equipment. The lease was for a 60 month period, required monthly payments of \$7,400.00 and is set to expire during June 2025.

Below is a summary of the lease expenses recognized by the District during the 21/22 year, along with the balances of the lease assets and liabilities as of June 30, 2022. These assets and liabilities are recognized on the Statement of Net Position as Right to Use Intangible Assets and Lease Payable.

	Year Ending 6/30/2022
<b>Lease expense</b>	
Amortization expense by class of underlying asset	
Copy Machine	\$ 82,067
Total amortization expense	82,067
Interest on lease liabilities	11,689
<b>Total</b>	<b>\$ 93,756</b>

	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
<b>Lease Assets</b>						
Copy Machine	\$ 328,268	\$ -	\$ -	\$ -	\$ 328,268	
	328,268	-	-	-	328,268	
<b>Less: Accumulated Amortization</b>						
Copy Machine	-	(82,067)	-	-	(82,067)	
	-	(82,067)	-	-	(82,067)	
<b>Total Lease Assets, net</b>	<b>\$ 328,268</b>	<b>\$ (82,067)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 246,201</b>	
<b>Lease Liabilities</b>	<b>\$ 328,268</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (77,964)</b>	<b>\$ 250,304</b>	<b>\$ 80,052</b>
<b>Maturity Analysis</b>						
	Principal	Interest	Total Payments			
2023	\$ 80,052	\$ 8,748	\$ 88,800			
2024	83,388	5,412	88,800			
2025	86,864	1,936	88,800			
	<b>\$ 250,304</b>	<b>\$ 16,096</b>	<b>\$ 266,400</b>			

## Note 10 - Jointly Governed Organizations

The School District is one of seven member school districts of the Butler County Area Vocational Technical School (Vo-Tech). Vo-Tech is controlled and governed by the Joint Board, which is composed of one member from each school board of the member districts. Direct oversight of Vo-Tech's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for Vo-Tech fluctuates based on the percentage enrollment in the school. The Butler County Area Vocational Technical School prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

## Note 11 – Investment in Joint Venture

As disclosed in Note 10, the School District is a member school district of the Butler County Area Vocational Technical School. During 2010/2011, the Vo-Tech issued lease revenue bonds with the prorated principal amounts allocated among the member school districts. This investment by the School District in the renovation of the Vo-Tech is accounted for as a joint venture. The amount shown on the statement of net position represents only amounts invested by the School District since July 1, 2010.



## Note 12 – Contingent Liabilities and Events

The Karns City Area 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, which 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 School District. 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 13 – Interfund Balances

As of June 30, 2022, there were the following individual fund level interfund receivable and payable balances:

<u>Interfund Receivable</u>	<u>Amounts</u>	<u>Interfund Payable</u>	<u>Amounts</u>
Cafeteria Fund	\$ 55,554	General Fund	\$ 55,554
	<u>\$ 55,554</u>		<u>\$ 55,554</u>

The amount due to the Cafeteria fund represents principally subsidies that were received by the General Fund and are owed to the Cafeteria Fund.

During the fiscal year ended June 30, 2022, there were the following interfund transfers made:

<u>Transfers from</u>	<u>Amounts</u>	<u>Transfers to</u>	<u>Amounts</u>
General Fund	\$ 1,000,000	Capital Projects Fund	\$ 1,000,000
Capital Projects Fund	6,987	General Fund	6,987
	<u>\$ 1,006,987</u>		<u>\$ 1,006,987</u>

The above transfer to the Capital Projects Fund represents amounts being set aside for future capital improvements.

## Note 14 - Risk Management

The School District is exposed to various risk of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Karns City Area 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. However, for those amounts not covered by insurance by reason of policy limitations or deductibles or uninsurability, the School District has established a Risk Management Fund to account for and to accumulate money to be used in the event of such uninsured losses.

### **Note 15 – Health Insurance Consortium**

The District participates in the Western Pennsylvania Schools Health Care Consortium (WPSHCC). The Consortium provides health insurance benefits to employees of the participating districts. The WPSHCC is a public entity risk pool designed to administer health and medical insurance risks on a pooled risk basis. The District pays an annual premium to WPSHCC for its health and medical insurance coverage. The formation agreement of WPSHCC provides that the WPSHCC will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. The agreement permits participating districts to withdraw from the WPSHCC under terms as specified in the agreement. Withdrawing districts are entitled to a proportionate share of WPSHCC fund balance or deficit on the date of withdrawal. The District estimates that there are no additional amounts due to the Consortium at June 30, 2022.

## Required Supplementary Information

KARNS CITY AREA 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	0.0710%	0.0705%	0.0735%	0.0729%	0.0737%	0.0749%	0.0761%	0.0749%	0.0740%
District's Proportionate Share of the Net Pension Liability	\$ 29,191,000	\$ 34,714,000	\$ 34,385,000	\$ 34,996,000	\$ 36,399,000	\$ 37,118,000	\$ 32,963,000	\$ 29,646,000	\$ 30,292,000
District's Covered-employee Payroll	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676	\$ 9,791,352	\$ 9,560,501	\$ 9,491,856
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	289.99%	349.43%	339.12%	356.69%	370.77%	382.59%	336.65%	310.09%	319.14%
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%

KARNS CITY AREA 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	0.0710%	0.0705%	0.0735%	0.0729%	0.0737%	0.0749%
District's Proportionate Share of the Net OPEB Liability	\$ 1,683,000	\$ 1,530,000	\$ 1,563,000	\$ 1,520,000	\$ 1,502,000	\$ 1,613,000
District's Covered-employee Payroll	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	16.72%	15.40%	15.41%	15.49%	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

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*

Karns City Area School District  
Karns City, 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 Karns City Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Karns City Area School District's basic financial statements, and have issued our report thereon dated January 11, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

#### **Report on Compliance and Other Matters**

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

#### **Purpose of this Report**

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

CYPHER & CYPHER

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
January 11, 2023



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

Karns City Area School District  
Karns City, Pennsylvania

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

***Opinion on Each Major Federal Program***

We have audited Karns City Area 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 Karns City Area School District's major federal programs for the year ended June 30, 2022. Karns City Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
January 11, 2023

**Karns City Area 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:	
ii.	Material weakness (es) identified?	No
	Significant deficiencies identified?	No
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 2CFR 200.516(a)?	No

vii.	Major Programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	10.553 10.555 10.559	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?	Yes

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

None noted.

**Section 3 – Findings and Questioned Costs for Federal Awards**

None noted.

**Section 4 – Summary of Prior Audit Findings**

None.

KARNS CITY AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
SCHOOL 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 07/01/21	REVENUES RECOGNIZED 21/22	EXPENDITURES RECOGNIZED 21/22	ACCRUED/ DEFERRED REVENUE 06/30/22	CARRYOVER TO 22/23
SPECIAL EDUCATION CLUSTER (IDEA) DEPARTMENT OF EDUCATION PASSED FROM MIDWEST INTERMEDIATE UNIT IV IDEA, PART B	I	84.027	062-04-0-004	21/22 20/21	\$ 232,964.56 229,724.30	\$ 130,427.27 13,600.03	\$ - 13,600.03	\$ 232,964.56 -	\$ 232,964.56 -	\$ 102,537.29 (0.00)	\$ - -
IDEA 619 - EARLY INTERVENTION	I	84.173	131-20-0-004	21/22	1,772.00	1,772.00	-	1,772.00	1,772.00	-	-
ARP IDEA	I	84.027X	062-22-0004	21/22	53,767.94		-	-	-	-	53,767.94
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION COVID-19 SECIM	I	84.027	FA-252-20-0209	20/21	8,942.00	5,961.35	5,368.96	592.39	592.39	-	-
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)					<u>\$ 527,170.80</u>	<u>\$ 151,760.65</u>	<u>\$ 18,968.99</u>	<u>\$ 235,328.95</u>	<u>\$ 235,328.95</u>	<u>\$ 102,537.29</u>	<u>\$ 53,767.94</u>
CHILD NUTRITION CLUSTER UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION											
SEAMLESS SUMMER OPTION (SSO) BREAKFAST PROGRAM SUBTOTAL ALN #10.553	I	10.553		21/22	<u>\$ 331,404.47</u> 331,404.47	<u>\$ 331,404.47</u> 331,404.47	<u>\$ -</u> -	<u>\$ 331,404.47</u> 331,404.47	<u>\$ 331,404.47</u> 331,404.47	<u>\$ -</u> -	<u>-</u> -
SEAMLESS SUMMER OPTION (SSO) LUNCH	I	10.555		21/22	<u>688,176.94</u> 688,176.94	<u>688,176.94</u> 688,176.94	<u>-</u> -	<u>688,176.94</u> 688,176.94	<u>688,176.94</u> 688,176.94	<u>-</u> -	<u>-</u> -
SUPPLY CHAIN ASSISTANCE	I	10.555		21/22	<u>29,092.69</u> 29,092.69	<u>29,092.69</u> 29,092.69	<u>-</u> -	<u>-</u> -	<u>-</u> -	<u>(29,092.69)</u> (29,092.69)	<u>29,092.69</u> 29,092.69
SNP EMERGENCY OPERATING COSTS	I	10.555		21/22	<u>2,602.30</u> 2,602.30	<u>2,602.30</u> 2,602.30	<u>-</u> -	<u>2,602.30</u> 2,602.30	<u>2,602.30</u> 2,602.30	<u>-</u> -	<u>-</u> -
PASSED FROM PENNSYLVANIA DEPARTMENT OF AGRICULTURE NATIONAL SCHOOL LUNCH PROGRAM - DONATED COMMODITIES	I	10.555		21/22 20/21	66,006.14 <u>41,520.07</u>	66,006.14 <sup>a</sup> <u>-</u>	- <u>(14,712.22) <sup>b</sup></u>	60,869.96 <u>14,712.22</u>	60,869.96 <sup>c</sup> <u>14,712.22</u> <sup>c</sup>	(5,136.18) <sup>d</sup> <u>-</u>	5,136.18 <u>-</u>
TOTAL DONATED COMMODITIES					<u>107,526.21</u>	<u>66,006.14</u>	<u>(14,712.22)</u>	<u>75,582.18</u>	<u>75,582.18</u>	<u>(5,136.18)</u>	<u>5,136.18</u>
SUBTOTAL ALN #10.555					<u>827,398.14</u>	<u>785,878.07</u>	<u>(14,712.22)</u>	<u>766,361.42</u>	<u>766,361.42</u>	<u>(34,228.87)</u>	<u>34,228.87</u>
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION COVID-19 SUMMER FOOD SERVICE PROGRAM (SFSP)	I	10.559		21/22	8,405.50	8,405.50	-	8,405.50	8,405.50	-	-
SUBTOTAL ALN #10.559	I	10.559		20/21	<u>812,675.11</u>	<u>10,162.91</u>	<u>10,162.91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHILD NUTRITION CLUSTER					<u>\$ 1,979,883.22</u>	<u>\$ 1,135,850.95</u>	<u>\$ (4,549.31)</u>	<u>\$ 1,106,171.39</u>	<u>\$ 1,106,171.39</u>	<u>\$ (34,228.87)</u>	<u>\$ 34,228.87</u>

KARNS CITY AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS (CONTINUED)  
SCHOOL YEAR ENDED JUNE 30, 2022

PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION										
P-EBT LOCAL ADMIN FUNDS	I	10.649		21/22	\$ 614.00	\$ 614.00	\$ -	\$ 614.00	\$ 614.00	\$ -
SUBTOTAL ALN #10.649					614.00	614.00	-	614.00	614.00	-
EDUCATION STABILIZATION FUND										
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION										
CARES ACT - ELEMENTARY AND SECONDARY EMERGENCY RELIEF FUND (ESSERS II)	I	84.425D	FA-200-21-0209	21/22	934,081.00	86,891.24	-	-	(86,891.24)	934,081.00
ARP ACT - ESSERS III	I	84.425U	FA-223-21-0209	21/22	1,889,375.00	137,409.08	-	139,620.00	139,620.00	2,210.92
ARP ACT - ESSERS III 7% LEARNING LOSS	I	84.425U	FA-225-21-0209	21/22	104,890.00	22,885.08	-	8,627.75	8,627.75	(14,257.33)
ARP ACT - ESSERS III 7% SUMMER PROGRAMS	I	84.425U	FA-225-21-0209	21/22	20,978.00	4,577.04	-	1,671.68	1,671.68	(2,905.36)
ARP ACT - ESSERS III 7% AFTERSCHOOL PROGRAMS	I	84.425U	FA-225-21-0209	21/22	20,978.00	4,577.04	-	20,978.00	20,978.00	16,400.96
ARP ACT - ESSERS III HOMELESS CHILDREN AND YOUTH	I	84.425W	FA-181-21-2204	21/22	7,202.00	554.01	-	7,202.00	7,202.00	6,647.99
CARES ACT - CONTINUITY OF EDUCATION EQUITY GEER GRANT	I	84.425C	FA-253-20-0209	20/21	10,000.00	8,421.04	6,895.59	1,525.45	1,525.45	-
TOTAL EDUCATION STABILIZATION FUND					<u>2,987,504.00</u>	<u>265,314.53</u>	<u>6,895.59</u>	<u>179,624.88</u>	<u>179,624.88</u>	<u>(78,794.06)</u>
FEDERAL COMMUNICATIONS COMMISSION										
PASSED FROM UNIVERSAL SERVICE ADMINISTRATIVE COMPANY (USAC)										
ARP - EMERGENCY CONNECTIVITY FUND (ECF)	I	32.009		21/22	38,512.70	34,655.00	-	38,512.70	38,512.70	3,857.70
TOTAL ALN #32.009					<u>38,512.70</u>	<u>34,655.00</u>	<u>-</u>	<u>38,512.70</u>	<u>38,512.70</u>	<u>3,857.70</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)										
PASSED FROM PENNSYLVANIA DEPARTMENT OF WELFARE										
MEDICAL ASSISTANCE	I	93.778	100211	21/22	\$ 4,363.03	\$ -	\$ -	\$ 4,363.03	\$ 4,363.03	\$ 4,363.03
TOTAL MEDICAL ASSISTANCE					4,363.03	-	-	4,363.03	4,363.03	-
GRAND TOTAL					<u>\$ 5,538,047.75</u>	<u>\$ 1,588,195.13</u>	<u>\$ 21,315.27</u>	<u>\$ 1,564,614.95</u>	<u>\$ 1,564,614.95</u>	<u>\$ (2,264.91)</u>

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

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

# Karns City Area School District

## Notes to Schedule of Expenditures of Federal Awards

### 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 Karns City Area 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 Karns City Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Karns City Area 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 \$5,136 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.



