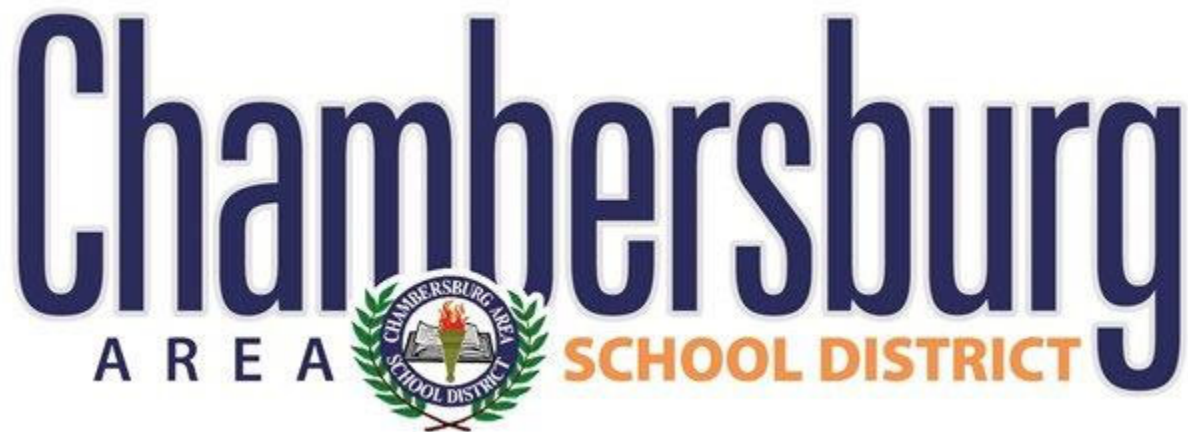


Audited
Financial
Statements

June 30,
2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chambersburg Area School District
Chambersburg, Pennsylvania

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 Chambersburg Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Chambersburg 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 Chambersburg 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 Chambersburg 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the Chambersburg Area School District adopted new accounting guidance, *GASBS No. 87, Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Chambersburg 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 the Chambersburg 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 the Chambersburg 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 on pages 4 through 10, the budgetary comparison schedule on page 61, and the schedules related to the pension and OPEB liabilities on pages 62 to 66 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 Chambersburg Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, on our consideration of Chambersburg 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 Chambersburg 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 Chambersburg Area School District's internal control over financial reporting and compliance.

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
May 5, 2023

CHAMBERSBURG AREA SCHOOL DISTRICT

Management Discussion and Analysis - Unaudited

The *Management, Discussion, and Analysis* (MD&A) of the Chambersburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the School District's financial performance as a whole, although readers should review the financial statements and related notes to augment their understanding of the School District's financial performance.

BACKGROUND

The School District's financial statements have been prepared in accordance with all GASB Accounting Standards.

Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires capital asset accounting, proper combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

GASB 68 has substantially changed the accounting and reporting for pension plans. GASB 68 seeks to improve the calculation and reporting of pension costs to provide more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position rather than as a footnote. This results in an immediate recognition of more components of the pension expense and more extensive disclosures with **significant negative impacts** on the Government Wide Statement of Net Position and the Proprietary Fund – Statement of Net Position.

GASB 87 has changed the accounting and reporting for leases by governments to provide improved information to financial statement users. Prior to GASB 87, leases could be categorized as either current operating leases or a capital lease. Under GASB 87, leases are recognized as a means to finance the right to use an asset.

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, deferred inflows of resources, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the School District. In the Chambersburg Area School District, the cafeteria and enterprise activities are structured as business activities, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Type Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

CHAMBERSBURG AREA SCHOOL DISTRICT

Management Discussion and Analysis - Unaudited

Funds utilized by the School District:

- ◆ Major governmental activities including:
 - General Fund
 - Capital Reserve Fund
 - Capital Projects Fund
- ◆ Other funds:
 - Special Revenue Fund
 - Enterprise Funds, including Food Service Fund and CASHS School Store
 - Internal Service Fund - Medical Insurance
 - Private Purpose Trust funds
 - Agency Fund – Student Activity accounts

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ending June 30, 2022 are as follows:

- ◆ Total Net Position of Governmental Activities of \$ (86,674,474).
 - Positive change of \$ 22,351,365.
- ◆ Total fund balance of all governmental funds equaled \$ 39,780,608
 - General Fund - \$ 31,949,807
 - Nonspendable - \$ 283,240
 - Restricted - \$ 786,955
 - Committed – \$ 6,184,991
 - Assigned – \$ 24,694,621
 - Unassigned - \$ 0
 - Capital Reserve Fund - \$ 6,174,272
 - Capital Projects Fund - \$ 1,530,953
 - Other Governmental Funds - \$ 125,576
- ◆ Operating revenues exceeded operating expenditures by \$ 4,783,995 in the General Fund. COVID-19 and employee attrition contributed to the excess of revenues over expenditures.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE PAST FISCAL YEAR

Net Position - On June 30, 2022, the School District had total net position from governmental activities of \$ (86,674,474), an increase of \$ 22,351,365 in the fiscal year. Factors affecting the net position increase in the 2021-2022 year are:

- ◆ Total Governmental assets increased by \$ 9,811,614. This is primarily due to an increase in Cash and Cash equivalents.
- ◆ Other notable factors:
 - a. Outstanding debt decreased from \$ 138,555,918 to \$132,080,092 or \$6,475,826.
 - b. Net pension liability decreased from \$ 194,359,218 to \$ 162,168,990 or \$ 32,190,228.

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited

Table 1 summarizes the assets, liabilities, and net position of the School District as of June 30, 2022 and 2021.

Table 1
Net Position As of June 30, 2022 - (Government-Wide)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 66,148,577	\$ 3,407,775	\$ 69,556,352
Noncurrent Assets	176,977,541	321,475	177,299,016
Deferred Outflows of Resources	<u>37,231,178</u>	<u>1,363,243</u>	<u>38,594,421</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 280,357,296</u>	<u>\$ 5,092,493</u>	<u>\$ 285,449,789</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 31,427,397	\$ 186,164	\$ 31,613,561
Noncurrent Liabilities	303,863,381	4,451,458	308,314,839
Deferred Inflows of Resources	<u>31,740,992</u>	<u>1,677,392</u>	<u>33,418,384</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 367,031,770</u>	<u>\$ 6,315,014</u>	<u>\$ 373,346,784</u>
Net Position			
Net Investment in Capital Assets	\$ 48,285,910	\$ 321,475	\$ 48,607,385
Restricted	6,963,759	-	6,963,759
Unrestricted	<u>(141,924,143)</u>	<u>(1,543,996)</u>	<u>(143,468,139)</u>
Total Net Position	<u>\$ (86,674,474)</u>	<u>\$ (1,222,521)</u>	<u>\$ (87,896,995)</u>

Net Position As of June 30, 2021 - (Government-Wide)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 57,816,390	\$ 1,724,777	\$ 59,541,167
Noncurrent Assets	175,306,039	308,171	175,614,210
Deferred Outflows of Resources	<u>37,046,881</u>	<u>647,408</u>	<u>37,694,289</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 270,169,310</u>	<u>\$ 2,680,356</u>	<u>\$ 272,849,666</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 26,749,030	\$ 269,462	\$ 27,018,492
Noncurrent Liabilities	342,275,473	4,093,109	346,368,582
Deferred Inflows of Resources	<u>10,196,981</u>	<u>1,665,246</u>	<u>11,862,227</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 379,221,484</u>	<u>\$ 6,027,817</u>	<u>\$ 385,249,301</u>
Net Position			
Net Investment in Capital Assets	\$ 40,093,500	\$ 308,171	\$ 40,401,671
Restricted	4,888,339	-	4,888,339
Unrestricted	<u>(154,034,013)</u>	<u>(3,655,632)</u>	<u>(157,689,645)</u>
Total Net Position	<u>\$ (109,052,174)</u>	<u>\$ (3,347,461)</u>	<u>\$ (112,399,635)</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited

Table 2 summarizes the revenues, expenses, and changes in net position of the School District for the years ended June 30, 2022 and 2021.

Table 2
Changes in Net Position
For the Year Ended June 30, 2022
(Government-wide)

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 638,049	\$ 288,091	\$ 926,140
Operating Grants and Contributions	42,801,098	7,516,191	50,317,289
Capital Grants and Contributions	779,409	-	779,409
General Revenues			
Taxes	100,382,513	-	100,382,513
Grants, Subsidies and Contributions	25,193,244	-	25,193,244
Investment Earnings	87,071	1,928	88,999
Other	554,829	-	554,829
Total Revenues	<u>170,436,213</u>	<u>7,806,210</u>	<u>178,242,423</u>
Program Expenses			
Instruction	98,842,184	-	98,842,184
Support Services			
Instructional Student Support	11,825,887	-	11,825,887
Administrative and Financial	12,964,416	-	12,964,416
Operation and Maintenance	12,734,705	-	12,734,705
Pupil Transportation	5,763,133	-	5,763,133
Community Services	278,623	-	278,623
Student Activities	1,633,174	-	1,633,174
Interest	4,042,726	-	4,042,726
Food Service	-	5,664,873	5,664,873
Other Services	-	16,397	16,397
Total Expenses	<u>148,084,848</u>	<u>5,681,270</u>	<u>153,766,118</u>
Change in Net Position	<u>\$ 22,351,365</u>	<u>\$ 2,124,940</u>	<u>\$ 24,476,305</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Management Discussion and Analysis - Unaudited

Table 2
Changes in Net Position
For the Year Ended June 30, 2021
(Government-wide)

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 2,999,322	\$ 112,997	\$ 3,112,319
Operating Grants and Contributions	30,675,396	3,152,481	33,827,877
Capital Grants and Contributions	941,393	-	941,393
General Revenues			
Taxes	98,585,180	-	98,585,180
Grants, Subsidies and Contributions	23,929,340	-	23,929,340
Investment Earnings	91,554	2,312	93,866
Other	630,444	-	630,444
Total Revenues	<u>157,852,629</u>	<u>3,267,790</u>	<u>161,120,419</u>
Program Expenses			
Instruction	98,819,255	-	98,819,255
Support Services			
Instructional Student Support	11,493,715	-	11,493,715
Administrative and Financial	9,898,230	-	9,898,230
Operation and Maintenance	13,709,406	-	13,709,406
Pupil Transportation	6,514,498	-	6,514,498
Community Services	316,826	-	316,826
Student Activities	1,881,905	-	1,881,905
Interest	4,276,281	-	4,276,281
Food Service	-	3,177,239	3,177,239
Other Services	-	4,832	4,832
Total Expenses	<u>146,910,116</u>	<u>3,182,071</u>	<u>150,092,187</u>
Change in Net Position	<u>\$ 10,942,513</u>	<u>\$ 85,719</u>	<u>\$ 11,028,232</u>

CHAMBERSBURG AREA SCHOOL DISTRICT

Management Discussion and Analysis - Unaudited

Balance Sheet/Fund Balances – Total fund balance of Governmental funds equaled \$ 39,780,608 as of June 30, 2022. These balances consist of:

- ◆ Capital Reserve Fund - \$ 6,174,272 – During the 2021-2022 school year, the General Fund transferred \$3,704,843 to fund the Capital Reserve which will be used for small capital projects in the future.
- ◆ General Fund - Total fund balance equals \$ 31,949,807 with all funds either Non-spendable, Restricted, Committed or Assigned.
- ◆ Capital Projects Fund – Total fund balance equals \$ 1,530,953.
- ◆ Other Governmental Funds (Special Revenue Fund) – Total balance \$ 125,576.

As of June 30, 2022, other funds existing:

- ◆ Enterprise Fund (Food Service) total net position of \$ (1,239,561), which is negative due to the continued requirement to report employee pension liability of \$ 4,069,710 for the year ending.
- ◆ Enterprise Fund (CASHS School Store) total net position of \$ 31,028.
- ◆ Internal Service Fund (Medical Insurance Fund) total net position decreased to (\$ 299,791).
- ◆ Agency Fund (Student Activities) total assets \$ 278,099.
- ◆ Private Purpose Trust (Scholarship Fund) total net position of \$ 29,082.

Budgetary Variances

- ◆ Total General Fund Operating Revenues exceed budget by \$ 13,816,479 or approximately 8.9%.
 - Budgetary estimates contributing to the revenue variances include:
 - Taxes (Local Sources) were higher than budgeted by \$ 6,528,591
 - Local taxes exceeded budgetary projections, primarily Earned Income Tax, due to the unanticipated stable employment through COVID.
 - State Sources were higher than budgeted \$ 3,731,289.
 - Federal Revenues are higher than budget by \$ 2,338,344.
 - For the last several years, CASD has received Federal allocations after the deadline to present its General Fund Budget, requiring a low-end revenue estimate to avoid over-obligating funds. In addition, the District received Federal Pandemic funds that were included in the original budget at an amount lower than actual.
- ◆ Total General Fund Operating Expenditures were over budget by \$ 7,116,964.
 - Budgetary estimates differed significantly in the following areas:
 - Facilities acquisition, construction and improvements was over budget by (\$ 6,681,505) due to facility projects that were in process and funded through one-time Federal Stimulus funds not originally budgeted.

During the 2021-2022 school year, the School District had several capital improvement projects in process.

CHAMBERSBURG AREA SCHOOL DISTRICT

Management Discussion and Analysis - Unaudited

Primary Capital Improvement Projects

Building Projects: The CAMS North window project originally planned was delayed due to building material supply issues, and is slated to begin and be completed in the summer of 2023. In addition, several building projects were in process during the summer of 2022 utilizing ESSER funds. The following buildings will have complete HVAC, lighting and window replacements: Buchanan, Falling Spring, Guilford Hills and Lurgan for a budgetary estimated cost of \$11,754,721

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

There are several current conditions that may potentially impact the future finances of the Chambersburg Area School District.

As with all Pennsylvania school districts, the Chambersburg Area School District will see continuing significant increases to the Employer Contribution Rate for the Pennsylvania State Employee Retirement System (PSERS). Future contribution rates are projected at 34.00%, 34.73%, 35.49%, 36.15% and 36.67% in subsequent fiscal years unless the Commonwealth of Pennsylvania approves legislation altering the current retirement system and the projected contribution rates.

Low unemployment rates and a shortage of several classes of employees, are impacting CASD's ability to attract and retain employees. Additionally, contracted services costs due to inflation are anticipated to increase expenditures in future years.

Currently, the School District has one large taxpayer under appeal: Shalom Christian Academy Association. The assessment base continues to grow steadily at around 1.0% annum.

Ending the 2021-2022 school year with 9,060 students enrolled in our buildings and 1,062 in outside placements, cyber and home school, the School District anticipates a flat enrollment growth over the next several years.

The District commissioned the Penn Economy League to forecast enrollment through 2031. The report is anticipated during the 2022-2023 school year.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Tamera Stouffer, Chief Financial and Operations Officer at the Chambersburg Area School District, 435 Stanley Avenue, Chambersburg, PA 17201 at (717) 709-4027.

CHAMBERSBURG AREA SCHOOL DISTRICT

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 31,981,009	\$ 1,364,893	\$ 33,345,902
Investments	15,000,000	-	15,000,000
Internal balances	30,692	(30,692)	-
Receivables			
Taxes, net	8,045,132	-	8,045,132
Intergovernmental	10,362,796	1,486,777	11,849,573
Leases	79,309	-	79,309
Other	366,399	15,259	381,658
Prepaid items	170,428	-	170,428
Inventories	112,812	571,538	684,350
Total current assets	<u>66,148,577</u>	<u>3,407,775</u>	<u>69,556,352</u>
Noncurrent Assets			
Prepaid bond insurance	18,068	-	18,068
Leases receivable - long-term	147,230	-	147,230
Capital assets not being depreciated			
Land	6,872,414	-	6,872,414
Construction in progress	6,855,579	-	6,855,579
Capital assets net of accumulated depreciation/amortization			
Site improvements, net	1,907,121	-	1,907,121
Buildings, net	157,769,147	-	157,769,147
Equipment, furniture and fixtures, net	2,441,795	321,475	2,763,270
Right-to-use assets, net	966,187	-	966,187
Total noncurrent assets	<u>176,977,541</u>	<u>321,475</u>	<u>177,299,016</u>
Total assets	<u>243,126,118</u>	<u>3,729,250</u>	<u>246,855,368</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	31,594,928	1,249,118	32,844,046
Deferred outflows related to OPEB liability	2,630,691	114,125	2,744,816
Deferred charge on bond refunding	3,005,559	-	3,005,559
Total deferred outflows of resources	<u>37,231,178</u>	<u>1,363,243</u>	<u>38,594,421</u>
Total assets and deferred outflow of resources	<u>\$ 280,357,296</u>	<u>\$ 5,092,493</u>	<u>\$ 285,449,789</u>
LIABILITIES			
Current liabilities			
Accounts payable/accrued medical claims	\$ 6,661,789	\$ 172,484	\$ 6,834,273
Accrued salaries and benefits/withholdings	15,706,690	-	15,706,690
Accrued interest	1,409,066	-	1,409,066
Unearned revenue	442,021	-	442,021
Portion due or payable within one year:			
General obligation bonds and notes payable	6,740,826	-	6,740,826
Leases	305,432	-	305,432
Compensated absences	161,573	13,680	175,253
Total current liabilities	<u>31,427,397</u>	<u>186,164</u>	<u>31,613,561</u>
Noncurrent liabilities			
Portion due or payable after one year:			
General obligation bonds and notes payable	125,339,266	-	125,339,266
Leases	674,789	-	674,789
Net pension liability	162,168,990	4,069,710	166,238,700
OPEB liability	14,034,620	327,491	14,362,111
Compensated absences	1,645,716	54,257	1,699,973
Total noncurrent liabilities	<u>303,863,381</u>	<u>4,451,458</u>	<u>308,314,839</u>
Total liabilities	<u>335,290,778</u>	<u>4,637,622</u>	<u>339,928,400</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	30,214,254	1,555,550	31,769,804
Deferred inflows related to OPEB liability	1,289,705	121,842	1,411,547
Deferred inflows related to leases	237,033	-	237,033
Total deferred inflows of resources	<u>31,740,992</u>	<u>1,677,392</u>	<u>33,418,384</u>
NET POSITION			
Net investment in capital assets	48,285,910	321,475	48,607,385
Restricted	6,963,759	-	6,963,759
Unrestricted	(141,924,143)	(1,543,996)	(143,468,139)
Total net position	<u>(86,674,474)</u>	<u>(1,222,521)</u>	<u>(87,896,995)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 280,357,296</u>	<u>\$ 5,092,493</u>	<u>\$ 285,449,789</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 98,842,184	\$ 456,305	\$ 25,988,476	\$ -	\$ (72,397,403)	\$ -	\$ (72,397,403)
Instructional student support	11,825,887	-	2,130,688	-	(9,695,199)	-	(9,695,199)
Administrative and financial support services	12,964,416	-	2,255,787	-	(10,708,629)	-	(10,708,629)
Operation and maintenance of plant services	12,734,705	83,929	8,309,270	-	(4,341,506)	-	(4,341,506)
Pupil transportation	5,763,133	-	3,750,716	-	(2,012,417)	-	(2,012,417)
Student activities	1,633,174	97,815	206,520	-	(1,328,839)	-	(1,328,839)
Community services	278,623	-	159,641	-	(118,982)	-	(118,982)
Interest related to long-term debt	4,042,726	-	-	779,409	(3,263,317)	-	(3,263,317)
Total governmental activities	148,084,848	638,049	42,801,098	779,409	(103,866,292)	-	(103,866,292)
Business-type activities:							
Food services	5,664,873	265,523	7,516,191	-	-	2,116,841	2,116,841
Other services	16,397	22,568	-	-	-	6,171	6,171
Total primary government	\$ 153,766,118	\$ 926,140	\$ 50,317,289	\$ 779,409	(103,866,292)	2,123,012	(101,743,280)
General revenues and transfers:							
Property taxes levied for general purposes, public utility realty tax, earned income tax					100,382,513	-	100,382,513
Grants, subsidies and contributions not restricted					25,193,244	-	25,193,244
Investment earnings					87,071	1,928	88,999
Gain (loss) on sale of capital assets					8,000	-	8,000
Miscellaneous income					546,829	-	546,829
Total general revenues and transfers					126,217,657	1,928	126,219,585
Change in net position					22,351,365	2,124,940	24,476,305
Net position - beginning, as restated					(109,025,839)	(3,347,461)	(112,373,300)
Net position - ending					\$ (86,674,474)	\$ (1,222,521)	\$ (87,896,995)

CHAMBERSBURG AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 22,684,439	\$ 1,532,887	\$ 6,174,272	\$ 132,576	\$ 30,524,174
Investments	15,000,000	-	-	-	15,000,000
Taxes receivable, net	8,045,132	-	-	-	8,045,132
Due from other funds	30,692	-	-	-	30,692
Receivable from other governments	10,362,796	-	-	-	10,362,796
Leases receivable	79,309	-	-	-	79,309
Other receivables	58,242	-	-	-	58,242
Prepaid expenditures	170,428	-	-	-	170,428
Inventories	112,812	-	-	-	112,812
Leases receivable - noncurrent	147,230	-	-	-	147,230
Total assets	<u>\$ 56,691,080</u>	<u>\$ 1,532,887</u>	<u>\$ 6,174,272</u>	<u>\$ 132,576</u>	<u>\$ 64,530,815</u>
LIABILITIES					
Accounts payable	\$ 4,609,060	\$ 1,934	\$ -	\$ -	\$ 4,610,994
Unearned revenue	435,021	-	-	7,000	442,021
Accrued salaries and benefits/withholdings	15,706,690	-	-	-	15,706,690
Total liabilities	<u>20,750,771</u>	<u>1,934</u>	<u>-</u>	<u>7,000</u>	<u>20,759,705</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable grant revenue	1,205,503	-	-	-	1,205,503
Unavailable tax revenue	2,547,966	-	-	-	2,547,966
Deferred inflows of resources related to leases	237,033	-	-	-	237,033
Total deferred inflows of resources	<u>3,990,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,990,502</u>
FUND BALANCES					
Nonspendable	283,240	-	-	-	283,240
Restricted	786,955	1,530,953	6,174,272	-	8,492,180
Committed	6,184,991	-	-	125,576	6,310,567
Assigned	24,694,621	-	-	-	24,694,621
Unassigned	-	-	-	-	-
Total fund balances	<u>31,949,807</u>	<u>1,530,953</u>	<u>6,174,272</u>	<u>125,576</u>	<u>39,780,608</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 56,691,080</u>	<u>\$ 1,532,887</u>	<u>\$ 6,174,272</u>	<u>\$ 132,576</u>	<u>\$ 64,530,815</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2022

Total fund balances - governmental funds \$ 39,780,608

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	266,277,681	
Accumulated depreciation	<u>(89,465,438)</u>	176,812,243

An internal service fund is used by management to pay for medical insurance costs. The portion of net position of the internal service fund related to the governmental funds are included in the governmental activities in the Statement of Net Position.

(285,803)

Certain receivables are not available to pay current period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements, but are recognized as revenue in the Statement of Activities.

3,753,469

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

18,068

Long-term liabilities are not due and payable in the current period and are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(132,080,092)
Deferred charge on bond refunding	3,005,559
Lease payable	(980,221)
Accrued interest on bonds	(1,409,066)
Compensated absences	(1,807,289)
OPEB liability	(14,034,620)
Deferred outflows related to OPEB liability	2,630,691
Deferred inflows related to OPEB liability	(1,289,705)
Net pension liability	(162,168,990)
Deferred outflows related to net pension liability	31,594,928
Deferred inflows related to net pension liability	<u>(30,214,254)</u>

(306,753,059)

Net position of governmental activities in the Statement of Net Position

\$ (86,674,474)

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds
Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local revenues					
Taxes	\$ 100,398,061	\$ -	\$ -	\$ -	\$ 100,398,061
Investment earnings	68,757	2,532	12,639	28	83,956
Revenue from intermediate sources	2,206,579	-	-	-	2,206,579
Other	1,353,815	-	-	36,172	1,389,987
State sources	50,717,312	-	-	-	50,717,312
Federal sources	14,439,248	-	-	-	14,439,248
Total revenues	<u>169,183,772</u>	<u>2,532</u>	<u>12,639</u>	<u>36,200</u>	<u>169,235,143</u>
EXPENDITURES					
Instruction	99,856,350	-	-	-	99,856,350
Support services	44,986,032	-	-	-	44,986,032
Operation of noninstructional services	2,217,723	-	-	-	2,217,723
Facilities acquisition, construction and improvements	6,747,705	27,039	-	-	6,774,744
Debt service					
Principal	6,308,655	-	-	-	6,308,655
Interest	4,283,312	-	-	-	4,283,312
Total expenditures	<u>164,399,777</u>	<u>27,039</u>	<u>-</u>	<u>-</u>	<u>164,426,816</u>
Excess (deficiency) of revenues over expenditures	<u>4,783,995</u>	<u>(24,507)</u>	<u>12,639</u>	<u>36,200</u>	<u>4,808,327</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	8,000	-	-	-	8,000
Proceeds from issuance of leases	756,545	-	-	-	756,545
Transfers in(out)	(5,204,843)	-	3,704,843	-	(1,500,000)
Total other financing sources and uses	<u>(4,440,298)</u>	<u>-</u>	<u>3,704,843</u>	<u>-</u>	<u>(735,455)</u>
Net change in fund balances	<u>343,697</u>	<u>(24,507)</u>	<u>3,717,482</u>	<u>36,200</u>	<u>4,072,872</u>
Fund balances - beginning	<u>31,606,110</u>	<u>1,555,460</u>	<u>2,456,790</u>	<u>89,376</u>	<u>35,707,736</u>
Fund balances - ending	<u>\$ 31,949,807</u>	<u>\$ 1,530,953</u>	<u>\$ 6,174,272</u>	<u>\$ 125,576</u>	<u>\$ 39,780,608</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Net change in fund balances - total governmental funds **\$ 4,072,872**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$ 6,260,880) differed from depreciation expense (\$ 6,199,033) in the current period. 2,421,010

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net loss applicable to the governmental activities. (1,722,700)

Governmental funds do not present certain revenues unless they are "available" to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Because certain taxes and subsidies will not be collected for several months after the School District's year end, they are not considered as "available" revenues in the governmental funds. Unavailable revenues changed by this amount this year. 1,268,835

The issuance of long-term obligations (bonds, leases, loans) provides current financial resources to governmental funds, while repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities:

Repayment of general obligation bonds and notes - principal	6,010,000
Issuance of capital lease	(756,545)
Capital lease payments	298,655

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and paid of:

Accrued interest	24,614
Compensated absences	143,766
Bond issuance costs and bond loss	215,972
OPEB liability and related deferred outflows and inflows	(272,987)
Net pension liability and related deferred outflows and inflows	10,647,873

Change in net position of governmental activities **\$ 22,351,365**

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2022

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,270,488	\$ 23,106	\$ 1,293,594	\$ 1,528,134
Intergovernmental receivables	1,486,777	-	1,486,777	-
Other receivables	177	-	177	323,239
Inventory	563,616	7,922	571,538	-
Total current assets	3,321,058	31,028	3,352,086	1,851,373
Noncurrent Assets				
Furniture and equipment	2,628,467	-	2,628,467	-
Accumulated depreciation	(2,306,992)	-	(2,306,992)	-
Total noncurrent assets	321,475	-	321,475	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net pension liability	1,249,118	-	1,249,118	-
Deferred outflows related to OPEB liability	114,125	-	114,125	-
Total deferred outflows of resources	1,363,243	-	1,363,243	-
Total assets and deferred outflows of resources	\$ 5,005,776	\$ 31,028	\$ 5,036,804	\$ 1,851,373
LIABILITIES				
Current Liabilities				
Accounts payable/accrued medical claims	\$ 72,115	\$ -	\$ 72,115	\$ 2,151,164
Due to other funds	30,692	-	30,692	-
Compensated absences	13,680	-	13,680	-
Total current liabilities	116,487	-	116,487	2,151,164
Noncurrent Liabilities				
Compensated absences	54,257	-	54,257	-
OPEB liability	327,491	-	327,491	-
Net pension liability	4,069,710	-	4,069,710	-
Total noncurrent liabilities	4,451,458	-	4,451,458	-
Total liabilities	4,567,945	-	4,567,945	2,151,164
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to net pension liability	1,555,550	-	1,555,550	-
Deferred inflows related to OPEB liability	121,842	-	121,842	-
Total deferred inflows of resources	1,677,392	-	1,677,392	-
NET POSITION				
Net investment in capital assets	321,475	-	321,475	-
Unrestricted	(1,561,036)	31,028	(1,530,008)	(299,791)
Total net position	(1,239,561)	31,028	(1,208,533)	(299,791)
Total liabilities, deferred inflows of resources, and net position	\$ 5,005,776	\$ 31,028	\$ 5,036,804	\$ 1,851,373
Net position above			\$ (1,208,533)	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of the medical insurance (internal service) fund are included with business-type activities.			(13,988)	
Net position of business-type activities			\$ (1,222,521)	

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds
Year Ended June 30, 2022

	ENTERPRISE			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
OPERATING REVENUES				
Charges for services/insurance premiums	\$ 265,523	\$ 22,568	\$ 288,091	\$ 14,725,796
OPERATING EXPENSES				
Food and milk purchases	2,307,347	-	2,307,347	-
Salaries	1,796,119	-	1,796,119	-
Employee benefits	1,104,431	-	1,104,431	-
Supplies and other	261,119	16,397	277,516	-
Depreciation	47,007	-	47,007	-
Repairs and maintenance	71,287	-	71,287	-
Insurance claims	-	-	-	16,804,528
Administrative fees and stop loss premiums	-	-	-	1,224,646
Total operating expenses	5,587,310	16,397	5,603,707	18,029,174
Operating income (loss)	(5,321,787)	6,171	(5,315,616)	(3,303,378)
NONOPERATING REVENUES (EXPENSES)				
Federal subsidies	7,000,540	-	7,000,540	-
State subsidies	515,651	-	515,651	-
Interest income	1,771	5	1,776	3,267
Total nonoperating revenue (expenses)	7,517,962	5	7,517,967	3,267
Income (loss) before transfers	2,196,175	6,176	2,202,351	(3,300,111)
Interfund transfers	-	-	-	1,500,000
Change in net position	2,196,175	6,176	2,202,351	(1,800,111)
Total net position - beginning	(3,435,736)	24,852	(3,410,884)	1,500,320
Total net position - ending	\$ (1,239,561)	\$ 31,028	\$ (1,208,533)	\$ (299,791)
Change in net position above			\$ 2,202,351	
Some amounts reported for business-type activities in the statement of net position are different because a portion of the net change of the medical insurance (internal service) fund is reported with business-type activities.			(77,411)	
Change in net position of business-type activities			\$ 2,124,940	

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	Food Service Fund	Other Enterprise Fund	Total	Medical Insurance Fund
Cash flows from operating activities				
Cash received from sales/insurance premiums	\$ 308,999	\$ 22,568	\$ 331,567	\$ 14,435,521
Cash payments to suppliers for goods/services	(2,612,056)	(16,738)	(2,628,794)	-
Cash payments to and on behalf of employees	(3,679,553)	-	(3,679,553)	(17,611,587)
Net cash provided (used) by operating activities	(5,982,610)	5,830	(5,976,780)	(3,176,066)
Cash flows from capital and related financing activities				
Purchase of equipment	(60,311)	-	(60,311)	-
Net cash (used) by capital and related financing activities	(60,311)	-	(60,311)	-
Cash flows from noncapital financing activities				
Federal subsidies	5,762,456	-	5,762,456	-
State subsidies	472,041	-	472,041	-
Transfers from other funds	-	-	-	1,500,000
Net cash provided by noncapital financing activities	6,234,497	-	6,234,497	1,500,000
Cash flows from investing activities				
Earnings on investments	1,771	5	1,776	3,267
Net cash provided (used) by investing activities	1,771	5	1,776	3,267
Net increase (decrease) in cash and cash equivalents	193,347	5,835	199,182	(1,672,799)
Cash and cash equivalents - beginning	1,077,141	17,271	1,094,412	3,200,933
Cash and cash equivalents - ending	\$ 1,270,488	\$ 23,106	\$ 1,293,594	\$ 1,528,134
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Cash flows from operating activities				
Operating income (loss)	\$ (5,321,787)	\$ 6,171	\$ (5,315,616)	\$ (3,303,378)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Donated food used	340,353	-	340,353	-
Depreciation	47,007	-	47,007	-
(Increase) decrease in:				
Inventory	(239,328)	(341)	(239,669)	-
Accounts receivable	43,476	-	43,476	(290,275)
Due from other funds	(428,058)	-	(428,058)	-
Prepaid expense	758	-	758	-
Increase (decrease) in:				
Compensated absences	(10,685)	-	(10,685)	-
Net pension liability and related items	(335,435)	-	(335,435)	-
OPEB liability and related items	(2,102)	-	(2,102)	-
Due to other funds	30,692	-	30,692	-
Accrued wages payable	(2,723)	-	(2,723)	-
Accounts payable	(104,778)	-	(104,778)	417,587
Total adjustments	(660,823)	(341)	(661,164)	127,312
Net cash provided (used) by operating activities	\$ (5,982,610)	\$ 5,830	\$ (5,976,780)	\$ (3,176,066)

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2022

	Custodial Fund	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$ 278,099	\$ 1,326
Investments	-	27,756
Total assets	<u>\$ 278,099</u>	<u>\$ 29,082</u>
NET POSITION		
Restricted for student activities	\$ 278,099	\$ -
Held in trust for scholarships	-	29,082
Total net position	<u>\$ 278,099</u>	<u>\$ 29,082</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	Custodial Fund	Private Purpose Trust Fund
ADDITIONS		
Fundraisers	\$ 110,339	\$ -
Sales	46,562	-
Donations	24,102	-
Dues	4,370	-
Admission fees	28,863	-
Charges for field trips	49,161	-
Advertising	250	-
Interest income	236	221
Total additions	<u>263,883</u>	<u>221</u>
DEDUCTIONS		
Supplies	85,584	-
Purchased property and services	188,063	-
Scholarship and awards	-	200
Total deductions	<u>273,647</u>	<u>200</u>
Change in net position	(9,764)	21
Net position - beginning	<u>287,863</u>	<u>29,061</u>
Net position - ending	<u>\$ 278,099</u>	<u>\$ 29,082</u>

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chambersburg Area School District (School District) operates a public school system which is geographically comprised of the Borough of Chambersburg and Townships of Greene, Guilford, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

The School District consists of Chambersburg Area Senior High School; Chambersburg Career Magnet School; Chambersburg Area Middle School North; Chambersburg Area Middle School South; and the Andrew Buchanan, Benjamin Chambers, Falling Spring, Fayetteville, Grandview, Guilford Hills, Hamilton Heights, Lurgan, Marion, New Franklin, Scotland, South Hamilton, and Thaddeus Stevens Elementary Schools; as well as the School District Administration Office.

The financial statements of the School District have been prepared in conformity with 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.

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Chambersburg Area School District.

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criterion, there are no organizations that are considered component units of the School District. The School District is not a component unit of any other entities.

Joint Ventures

The following joint ventures are not component units of Chambersburg Area School District and are not included in this report.

Franklin County Career and Technology Center - is a separate legal entity organized by six local school districts to provide services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership and the operating agreement. Each school district has an ongoing financial responsibility to fund the Center's operations.

Franklin Learning Center - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership by each school district. Each school district has an ongoing financial responsibility to fund the Center's operations.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property taxes and earned income taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

b. Capital Reserve Fund

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 Pa. C. S., Section 8001 et seq., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

c. Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

1. Governmental Funds (Continued)

The School District reports the following non-major governmental funds:

a. Special Revenue Fund

This fund is used to account for proceeds of naming rights contracts and sponsorships used to finance the development, operation, and administration used to operate extra/co-curricular programs as required by law or administrative regulation.

2. Proprietary Funds

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

Food Service Fund – Enterprise Fund – Major Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

CASHS Enterprise Fund – Enterprise Fund - Non-Major Fund

This fund is used to account for the operations of the coffee cart and school store.

Medical Insurance Fund – Internal Service Fund

This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of medical insurance premiums.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. The School District's only private-purpose trust fund consists of bequests that have been established in prior years. Only the earnings are available for the specific purpose of providing awards and scholarships as prescribed by donor stipulation. Officials of the School District determine the winners of the awards and scholarships, which are made only if there are qualified recipients and adequate earnings. Custodial funds are used to account for fiduciary activities not required to be reported in private purpose trust funds. Student Activities are presented as Custodial Funds.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. 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 business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred and the related revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, including charges for meals, insurance coverage, and the costs of food, salaries and benefits, depreciation, insurance premiums, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of \$ 2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets 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:

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site improvements	20 years	N/A
Buildings	50 years	N/A
Equipment, furniture, and fixtures	5 - 20 years	5 - 20 years
Right-to-use assets	2 - 10 years	N/A

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt. The OPEB and pension amounts deferred will be amortized as described in Note 11 and Note 13, respectively.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources consist of various amounts related to pension liabilities on the statement of net position, various amounts related to OPEB liabilities on the statement of net position, and unavailable tax revenue on the balance sheet – governmental funds.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Directors, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Project Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

During 2021/2022, the School District overspent the budgeted expenditures of the General Fund, which is a violation of the Pennsylvania School Code, but is not expected to result in any negative implications of the School District.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, and certificates of deposit with an original maturity of three months or less. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

The School District invests in funds with the Pennsylvania Local Government Investments Trust (PLGIT). PLGIT operates and is authorized under the Intergovernmental Cooperation Act of 1972. Investments in these funds have daily liquidity and are valued at cost which equals market value.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and backed by the full faith and credit of the Commonwealth, and certificates of deposit which are insured by the Federal Insurance Corporation, or which are collateralized as provided by law of Act 72 of 1971.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

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 and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessee: The School District is a lessee for a noncancellable lease of equipment and sports fields. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The School District is a lessor for a noncancellable lease of a farmland and office space. The School District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the School District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the School District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The School District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB Standards, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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

Compensated Absences

Liability for compensated absences is accounted for in accordance with the standards of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provisions of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements and are expensed as incurred.

Other Postemployment Benefits Other Than Pensions

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The School District's other postemployment benefits are accounted for in accordance with these standards.

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid by the retirees. Therefore, the School District is providing an implicit rate subsidy to its retirees. In addition, the current superintendent, associate superintendent, and Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are financed on a pay-as-you-go basis.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pensions (Continued)

PSERS

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 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.

Net Position – Government-wide Financial Statements/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

Restricted: This component consists of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

As of June 30, 2022, restricted net position in governmental activities consists of the following:

Restricted for special education settlements	\$ 426,952
Restricted for unspent donations and grants	360,363
Restricted for future capital projects	<u>6,176,444</u>
	<u>\$ 6,963,759</u>

Unrestricted: This component consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long-term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board has authorized the business manager or finance committee to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Fund Balance Policy

The School District strives to maintain an unassigned general fund balance of not less than four percent (4%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of portions including committed, assigned, and unassigned, may exceed eight percent (8%) of budgeted expenditures.

If the unassigned portion of the fund balance falls below the threshold of four percent (4%), the Board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until four percent (4%) is attained. If the assigned and unassigned portions of the fund balance exceed eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed. Assigned or committed resources would only be used upon specific authorization by the School Board or the business manager in the case of assigned fund balance.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government and Federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund 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.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2022, the School District has a bank balance of \$ 16,876,924. Of this balance, \$ 277,795 is covered by FDIC insurance and the remaining balance of \$ 16,599,129 is uninsured and collateralized by collateral held by the pledging bank's trust department, but not in the School District's name.

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

Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

Investments

As of June 30, 2022, the School District had the following investments:

	Fair Value	Investment Maturities (in Years)			S&P Global Ratings
		Less than One Year	One to Five Years	More than Five Years	
External investment pool	\$ 33,485,042	\$ 33,485,042	\$ -	\$ -	AAAm

The investments in the external investment pool are considered cash equivalents for financial reporting purposes, while the negotiable certificates of deposit are considered investments for financial reporting purposes.

Interest Rate Risk - Investments

The School District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The School District's investments that are subject to interest rate risk are included in the table previously listed.

Investments in Pennsylvania Local Government Investment Trust (PLGIT) are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

Credit Risk - Investments

Included in cash and cash equivalents in the financial statements are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) - Class, PLGIT - Prime, and PLGIT - Term. These funds operate similarly to mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PLGIT deposits were invested by PLGIT directly in portfolios of securities which are held by a third-party custodian. The School District's investments that have a credit quality rating are included in the table above.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Policies Followed at PLGIT

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The School District's investments in PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PLGIT.

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Brokered Certificates of Deposit

The fair value of brokered certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. These are considered to be Level 2 inputs.

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, and other taxes and fees primarily from taxpayers located in the Borough of Chambersburg and the Townships of Guilford, Greene, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - December 31

After December 31, the bills are considered delinquent and turned over to the Franklin County Tax Claim Bureau for collection.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 4 TAXES RECEIVABLE AND RELATED DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS

Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2022:

Earned income	\$ 5,058,683
Real estate	1,946,012
Local service	<u>1,040,437</u>
	8,045,132
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(5,497,166)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 2,547,966</u>

Tax Abatements

Keystone Opportunity Zone Program

The Keystone Opportunity Zone (KOZ) program allows eligible businesses to reduce their total tax liability through credits, waivers and broad-based tax abatements. Total real estate taxes are abated through simple reduction of their tax liability to zero with no changes to assessed values.

To be included in the KOZ program, property owners can apply through the online application process on the Pennsylvania Department of Community and Economic Development's website. The program develops a community's abandoned, unused, underutilized land and buildings into business districts and residential areas that present a well-rounded and well-balanced approach to community revitalization. Qualified businesses must (1) be located or partially located within a KOZ, (2) engaged in the active conduct of a trade or business, and (3) own or lease property in a zone from which the business actively conducts a trade, profession, or business in order to be eligible for this tax abatement program. All KOZ applicants must file an annual application to continue to be eligible for this tax abatement program. Any business which relocates outside of the zone within the first five years of locating in a zone may be required to refund all tax benefits received.

For the fiscal year ended June 30, 2022, total School District property taxes of \$ 149,677 were abated under this program.

Local Economic Revitalization Tax Assistance Act

The Chambersburg Area School District enters into property tax abatement agreements with local businesses under the Local Economic Revitalization Tax Assistance Act. The Act authorizes specified local governments to provide tax exemption for new construction and improvements to industrial, commercial and other business properties located within certain designated areas. Under the Act, local governments may grant property tax abatements of up to 100 percent of a business' property tax bill, based on assessed value, for the purpose of attracting or retaining businesses within their jurisdiction.

For the fiscal year ended June 30, 2022 total School District property taxes of \$ 47,996 were abated under this program.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables/payables consist of the following at June 30, 2022:

Funds	Interfund Receivable	Interfund Payable
General	\$ 30,692	\$ -
Food Service	-	30,692
	<u>\$ 30,692</u>	<u>\$ 30,692</u>

The Food Service owed the General Fund for various expenses paid by the General Fund on behalf of the Food Service Fund.

Interfund transfers were as follows for the year ending June 30, 2022:

Funds	Transfers In	Transfers Out
General	\$ -	\$ 5,204,843
Capital Reserve	3,704,843	-
Medical Insurance Fund	1,500,000	-
	<u>\$ 5,204,843</u>	<u>\$ 5,204,843</u>

The Board approved a transfer from the General Fund to the Capital Reserve Fund and to the Medical Insurance Fund to fund future capital expenditures, for current health care claims, respectively.

NOTE 6 RECEIVABLES AND DEFERRED INFLOWS

Intergovernmental receivables financial statements consist of the following as of June 30, 2022:

		Governmental Activities	Business-Type Activities
Local:	Non-resident tuition	\$ 238,698	\$ -
	Lincoln Intermediate Unit #12	128,521	-
	Language line	357,734	-
	Charter school tuition reimbursement	53,265	-
State:	Social Security	852,317	-
	Retirement	4,151,409	-
	Grants	-	44,012
Federal:	Grants	<u>4,580,852</u>	<u>1,442,765</u>
Total intergovernmental receivables		<u>\$ 10,362,796</u>	<u>\$ 1,486,777</u>

Leases Receivable and Deferred Inflows

The School District entered into a four (4) year lease as lessor for the use of School District a portion of a School District Building through June 30, 2025. An initial lease receivable was recorded in the amount of \$ 254,970. As of June 30, 2022, the value of the lease receivable is \$ 193,485 with a related deferred inflow of \$ 191,227. The lessee is required to make monthly fixed payments of \$ 5,202. The lease has an interest rate of 0.457% and the School District recognized lease revenue of \$ 63,72 during the fiscal year.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 6 RECEIVABLES AND DEFERRED INFLOWS (CONTINUED)

Leases Receivable and Deferred Inflows (Continued)

The School District entered into a three (3) year lease as lessor for the use of School District land for farming purposes during the current year through March 31, 2025. An initial lease receivable was recorded in the amount of \$ 49,970. As of June 30, 2022, the value of the lease receivable is \$ 33,054 with a related deferred inflow of \$ 45,806. The lessee is required to make annual fixed payments of \$ 17,000. The lease has an interest rate of 2.015% and the School District recognized lease revenue of \$ 14,164 during the fiscal year.

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2022:

	Beginning Balance, as restated	Additions	Deductions	Ending Balance
Governmental Activities				
Cost:				
Assets not being depreciated/amortized:				
Land	\$ 6,872,414	\$ -	\$ -	\$ 6,872,414
Construction in process	58,339	6,797,240	-	6,855,579
Assets being depreciated/amortized:				
Site improvements	7,421,968	28,492	-	7,450,460
Buildings	228,114,004	253,266	(55,531)	228,311,739
Equipment, furniture, and fixtures	15,005,485	541,091	(37,963)	15,508,613
Right-to-use assets - equipment and sports fields	522,331	756,545	-	1,278,876
Total cost	<u>257,994,541</u>	<u>8,376,634</u>	<u>(93,494)</u>	<u>266,277,681</u>
Less accumulated depreciation/amortization:				
Site improvements	(5,371,463)	(171,876)	-	(5,543,339)
Buildings	(65,535,821)	(5,062,302)	55,531	(70,542,592)
Equipment, furniture, and fixtures	(12,696,024)	(408,757)	37,963	(13,066,818)
Right-to-use assets - equipment and sports fields	-	(312,689)	-	(312,689)
Total accumulated depreciation/amortization	<u>(83,603,308)</u>	<u>(5,955,624)</u>	<u>93,494</u>	<u>(89,465,438)</u>
Capital assets, net	<u>\$ 174,391,233</u>	<u>\$ 2,421,010</u>	<u>\$ -</u>	<u>\$ 176,812,243</u>
Business-Type Activities				
Cost:				
Equipment, furniture and fixtures	\$ 2,568,156	\$ 60,311	\$ -	\$ 2,628,467
Less accumulated depreciation	<u>(2,259,985)</u>	<u>(47,007)</u>	<u>-</u>	<u>(2,306,992)</u>
Capital assets, net	<u>\$ 308,171</u>	<u>\$ 13,304</u>	<u>\$ -</u>	<u>\$ 321,475</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2022 was charged to governmental functions as follows:

Instruction	\$ 5,111,061
Instructional student support	156,968
Administrative and financial support services	270,328
Operation and maintenance of plant services	324,673
Pupil transportation	92,594
	<u>\$ 5,955,624</u>

The construction in progress consists of the following:

Buchanan Elementary projects	\$ 1,590,733
Falling Spring Elementary projects	1,581,750
Guilford Hills Elementary projects	1,500,838
Lurgan Elementary projects	1,565,196
Various projects	617,062
Total	<u>\$ 6,855,579</u>

As of June 30, 2022, the School District had the following construction commitments:

	Total Contracts	Total Costs Incurred	Total Costs To Be Incurred
Elementary School projects	<u>\$ 13,479,977</u>	<u>\$ 5,359,823</u>	<u>\$ 8,120,154</u>

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2022:

	General Fund
Accrued salaries	\$ 7,109,006
Retirement	7,681,337
Social security	498,653
Other withholdings	417,694
	<u>\$ 15,706,690</u>

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
Bonds:						
(A) Series of 2013	\$ 315,000	\$ -	\$ (5,000)	\$ 310,000	\$ 5,000	\$ 305,000
(B) Series of 2014 AA	320,000	-	(5,000)	315,000	5,000	310,000
(C) Series of 2015 A	29,685,000	-	(2,130,000)	27,555,000	2,220,000	25,335,000
(D) Series of 2015 AA	10,850,000	-	-	10,850,000	-	10,850,000
(E) Series of 2017	8,120,000	-	(545,000)	7,575,000	560,000	7,015,000
(F) Series of 2018	22,335,000	-	(5,000)	22,330,000	5,000	22,325,000
(G) Series of 2019	16,165,000	-	(5,000)	16,160,000	5,000	16,155,000
(H) Series of 2019 A	9,990,000	-	(5,000)	9,985,000	5,000	9,980,000
(I) Series of 2020	9,990,000	-	(5,000)	9,985,000	5,000	9,980,000
(J) Series of 2020 A	6,955,000	-	(245,000)	6,710,000	255,000	6,455,000
(K) Series of 2021	9,815,000	-	(40,000)	9,775,000	15,000	9,760,000
Direct borrowing:						
(L) Series of 2021 Unamortized bond premium/(discount)	9,108,000	-	(3,020,000)	6,088,000	3,195,000	2,893,000
	<u>4,907,918</u>	<u>20,757</u>	<u>(486,583)</u>	<u>4,442,092</u>	<u>465,826</u>	<u>3,976,266</u>
Subtotal - bonds and direct borrowing	<u>138,555,918</u>	<u>20,757</u>	<u>(6,496,583)</u>	<u>132,080,092</u>	<u>6,740,826</u>	<u>125,339,266</u>
Compensated absences:						
Vacation leave	359,135	646,804	(659,168)	346,771	31,001	315,770
Personal leave	183,230	143,384	(169,797)	156,817	14,020	142,797
Sick leave	1,530,764	642,797	(869,860)	1,303,701	116,552	1,187,149
Subtotal - compensated absences	<u>2,073,129</u>	<u>1,432,985</u>	<u>(1,698,825)</u>	<u>1,807,289</u>	<u>161,573</u>	<u>1,645,716</u>
Lease obligations	<u>522,331</u>	<u>756,545</u>	<u>(298,655)</u>	<u>980,221</u>	<u>305,432</u>	<u>674,789</u>
Total long-term liabilities	\$ <u>141,151,378</u>	\$ <u>2,210,287</u>	\$ <u>(8,494,063)</u>	\$ <u>134,867,602</u>	\$ <u>7,207,831</u>	\$ <u>127,659,771</u>
Business-Type Activities:						
Compensated absences:						
Vacation leave	\$ 8,735	\$ 12,308	\$ (14,206)	\$ 6,837	\$ 6,837	\$ -
Sick leave	<u>69,887</u>	<u>33,185</u>	<u>(41,972)</u>	<u>61,100</u>	<u>6,843</u>	<u>54,257</u>
Total long-term liabilities	\$ <u>78,622</u>	\$ <u>45,493</u>	\$ <u>(56,178)</u>	\$ <u>67,937</u>	\$ <u>13,680</u>	\$ <u>54,257</u>

Bonds and Notes

- (A) On June 3, 2013, the School District issued \$ 9,925,000 of general obligation bonds – Series of 2013. The proceeds were used to refund the 2008 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2034. The bonds bear interest at rates ranging from 1.25% to 3.50%.
- (B) On December 11, 2014, the School District issued \$ 9,995,000 of general obligation bonds – Series of 2014 AA. The proceeds were used to currently refund a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. A portion of the bonds were refunded with the issuance of the Series of 2020 Bonds. The bonds are due in varying amounts on February 1, 2016 to 2037. The bonds bear interest at rates ranging from 3.00% to 3.50%.
- (C) On May 13, 2015, the School District issued \$ 41,125,000 of general obligation bonds – Series of 2015 A. The proceeds were used to currently refund the Series of 2005 A general obligation bonds, the Series of 2007 general obligation bonds, a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2016 to 2033. The bonds bear interest at rates ranging from 2.00% to 5.00%.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Bonds and Notes (Continued)

- (D) On May 13, 2015, the School District issued \$ 10,850,000 of general obligation bonds – Series of 2015 AA. The proceeds were used for the acquisition, design, construction, furnishing, and equipping of a new elementary school (Marion), various capital projects for the School District’s existing facilities, and to pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2030 to 2037. The bonds bear interest at rates ranging from 3.50% to 4.00%.
- (E) On April 27, 2017, the School District issued \$ 9,935,000 of general obligation bonds – Series of 2017. The proceeds will be used for the acquisition, design and construction, furnishing and equipping of various capital projects for the School District’s existing facilities and pay the costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2017 to 2037. The bonds bear interest at rates ranging from 0.95% to 3.50%.
- (F) On October 25, 2018, the School District issued \$ 22,345,000 of general obligation bonds, Series of 2018. The proceeds were used to refund the School District’s general obligation bonds Series of 2009 and Series of 2011 and also pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2020 to 2037. The bonds bear interest rates ranging from 3.00% to 4.00%.
- (G) On July 11, 2019, the School District issued \$ 16,175,000 of general obligation bonds, Series of 2019. The proceeds were used to currently refund the School District’s general obligation bonds Series of 2013 A and 2014 A and pay the related costs of issuing the bonds. The bonds are due in varying amounts on September 1, 2019 to 2029. The bonds bear interest rates ranging from 2.00% to 4.00%.
- (H) On December 3, 2019, the School District issued \$ 9,995,000 of general obligation bonds, Series of 2019 A. The proceeds were used to currently refund the School District’s general obligation bond Series of 2013 and pay the related costs of issuing the bonds. The bonds are due in varying amounts on January 15, 2020 to 2034. The bonds bear interest rates ranging from 2.00% to 3.00%.
- (I) On February 27, 2020, the School District issued \$ 9,995,000 of general obligation bonds, Series of 2020. The proceeds were used to refund a portion of the School District’s general obligation bonds Series AA of 2014 and also pay the related costs of issuing the bonds. The bonds are due in varying amounts on January 15, 2021 to 2037. The bonds bear interest rates ranging from 2.00% to 3.00%.
- (J) On February 25, 2020, the School District issued \$ 7,210,000 of general obligation bonds, Series of 2020 A. The proceeds were used to for the acquisition, design, construction, furnishing and equipping of various capital projects for the School District’s existing facilities and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2021 to 2040. The bonds bear interest rates ranging from 4.00% to 5.00%.
- (K) On June 15, 2021, the School District issued \$ 9,815,000 of general obligation bonds, Series of 2021. The proceeds were used to currently refund the School District’s general obligation bond Series of 2016 A and pay the related costs of issuing the bonds. The bonds are due in varying amounts on February 1, 2022 to 2037. The bonds bear interest at 2.00%.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Bonds and Notes (Continued)

- (L) On April 1, 2021, the School District issued \$ 9,108,000 of general obligation note, Series of 2021. The proceeds were used to currently refund the School District's general obligation bonds Series of 2012 and 2016 and pay the related costs of issuing the note. The note is due in varying amounts on September 1, 2021 to 2023. The note bears interest at a rate of 0.695%.

The School District's general obligation bonds contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly or to the paying agent for payment to the bond holders. In addition, all bonds and notes are secured by general taxing and revenue of the School District.

The annual debt requirements for future general obligation bonds, direct borrowings, and leases, as of June 30, 2022, are as follows:

Bonds							
	Series of 2013		Series of 2014 AA		Series of 2015 A		
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 5,000	\$ 9,263	\$ 5,000	\$ 9,420	\$ 2,220,000	\$ 1,080,150	
2024	5,000	9,150	5,000	9,277	2,640,000	969,150	
2025	5,000	9,000	5,000	9,135	5,910,000	837,150	
2026	5,000	8,850	5,000	8,993	6,210,000	541,650	
2027	5,000	8,700	5,000	8,850	4,750,000	355,350	
2028 - 2032	285,000	25,200	200,000	39,450	5,150,000	857,532	
2033 - 2037	-	-	90,000	2,700	675,000	24,470	
2038 - 2040	-	-	-	-	-	-	
	<u>\$ 310,000</u>	<u>\$ 70,163</u>	<u>\$ 315,000</u>	<u>\$ 87,825</u>	<u>\$ 27,555,000</u>	<u>\$ 4,665,452</u>	

Bonds							
	Series of 2015 AA		Series of 2017		Series of 2018		
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ -	\$ 417,406	\$ 560,000	\$ 226,544	\$ 5,000	\$ 867,244	
2024	-	417,406	570,000	215,344	5,000	867,094	
2025	-	417,406	585,000	202,519	5,000	866,944	
2026	-	417,406	600,000	188,625	5,000	866,788	
2027	-	417,406	620,000	173,625	5,000	866,631	
2028 - 2032	2,455,000	2,000,232	2,135,000	647,701	8,470,000	3,965,683	
2033 - 2037	8,395,000	1,110,284	2,505,000	269,150	13,835,000	1,660,051	
2038 - 2040	-	-	-	-	-	-	
	<u>\$ 10,850,000</u>	<u>\$ 5,197,546</u>	<u>\$ 7,575,000</u>	<u>\$ 1,923,508</u>	<u>\$ 22,330,000</u>	<u>\$ 9,960,435</u>	

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Bonds and Notes (Continued)

Bonds						
	Series of 2019		Series of 2019 A		Series of 2020	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 5,000	\$ 645,600	\$ 5,000	\$ 229,625	\$ 5,000	\$ 213,669
2024	5,000	645,500	5,000	229,475	5,000	213,519
2025	30,000	645,400	5,000	229,325	5,000	213,369
2026	165,000	644,800	5,000	229,225	5,000	213,219
2027	1,820,000	638,200	20,000	229,125	5,000	213,219
2028 - 2032	14,135,000	853,800	5,765,000	1,015,439	25,000	1,064,095
2033 - 2037	-	-	4,180,000	149,506	9,935,000	697,307
2038 - 2041	-	-	-	-	-	-
	<u>\$ 16,160,000</u>	<u>\$ 4,073,300</u>	<u>\$ 9,985,000</u>	<u>\$ 2,311,720</u>	<u>\$ 9,985,000</u>	<u>\$ 2,828,397</u>

	Bonds				Direct Borrowing		Lease Obligations	
	Series of 2020 A		Series of 2021		Series of 2021		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2023	\$ 255,000	\$ 276,450	\$ 15,000	\$ 195,500	\$ 3,195,000	\$ 31,209	\$ 305,432	\$ 9,701
2024	270,000	263,700	20,000	195,200	2,893,000	10,053	235,786	8,834
2025	280,000	250,200	20,000	194,800	-	-	240,709	5,342
2026	295,000	236,200	20,000	194,400	-	-	173,975	1,740
2027	305,000	224,400	20,000	194,000	-	-	24,319	203
2028 - 2032	1,735,000	927,600	2,400,000	928,200	-	-	-	-
2033 - 2037	2,100,000	552,800	7,280,000	446,500	-	-	-	-
2038 - 2041	1,470,000	119,200	-	-	-	-	-	-
	<u>\$ 6,710,000</u>	<u>\$ 2,850,550</u>	<u>\$ 9,775,000</u>	<u>\$ 2,348,600</u>	<u>\$ 6,088,000</u>	<u>\$ 41,262</u>	<u>\$ 980,221</u>	<u>\$ 25,820</u>

Totals		
	Principal	Interest
2023	\$ 6,580,432	\$ 4,211,781
2024	6,658,786	4,053,702
2025	7,090,709	3,880,590
2026	7,488,975	3,551,896
2027	7,579,319	3,329,709
2028 - 2032	42,755,000	12,324,932
2033 - 2037	48,995,000	4,912,768
2038 - 2041	1,470,000	119,200
	<u>\$ 128,618,221</u>	<u>\$ 36,384,579</u>

Lease Obligations

The School District entered into various lease agreements with remaining terms between two and five years for the use of copiers, computer equipment, and athletic fields. An initial lease liability was recorded in the amount of \$ 522,331 and the School District entered into additional leases during the year of \$ 756,545. As of June 30, 2022, the value of the lease liability is \$ 980,221. The School District is required to make fixed payments (monthly, quarterly, and annually) between \$ 1,347 and \$ 149,887. The leases have interest rates ranging from 0.185% and 4.601%. The associated right-to-use assets are disclosed in the Capital Asset footnote.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 10 GOVERNMENTAL FUNDS – FUND BALANCE

The following table provides detail of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	\$ 170,428	\$ -	\$ -	\$ -	\$ 170,428
Inventories	112,812	-	-	-	112,812
Total Nonspendable	283,240	-	-	-	283,240
Restricted for:					
Special education settlements	426,592	-	-	-	426,592
Unspent donations and grants	360,363	-	-	-	360,363
Future capital projects	-	1,530,953	6,174,272	-	7,705,225
Total Restricted	786,955	1,530,953	6,174,272	-	8,492,180
Committed for:					
Future property tax relief	6,184,991	-	-	-	6,184,991
Student athletic programs	-	-	-	125,576	125,576
Total Committed	6,184,991	-	-	125,576	6,310,567
Assigned for:					
Property tax assessment appeals	2,077,044	-	-	-	2,077,044
Special education contingency funds	1,965,064	-	-	-	1,965,064
Future capital reserve transfer	3,500,000	-	-	-	3,500,000
Budgetary reserve	5,000,000	-	-	-	5,000,000
Charter schools	2,209,770	-	-	-	2,209,770
Vehicle replacement	117,012	-	-	-	117,012
Technology	3,473,260	-	-	-	3,473,260
Security enhancements	225,000	-	-	-	225,000
Transportation enhancements	250,000	-	-	-	250,000
Food service outstanding bad debt	100,000	-	-	-	100,000
Summer projects	49,512	-	-	-	49,512
Future bus purchase	201,262	-	-	-	201,262
Athletic facility enhancements	1,526,697	-	-	-	1,526,697
Health care transfer	3,500,000	-	-	-	3,500,000
Transportation shortfall	500,000	-	-	-	500,000
Total Assigned	24,694,621	-	-	-	24,694,621
Unassigned	-	-	-	-	-
Total fund balances	\$ 31,949,807	\$ 1,530,953	\$ 6,174,272	\$ 125,576	\$ 39,780,608

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Benefits Provided

School District Plan

The School District has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both the retiree and spouse. The member is eligible until the employee reaches Medicare age. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's cost of coverage.

Retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

In addition, Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are detailed as follows:

Act 93 Employees (Administrators)

For employees who were in the Act 93 group prior to July 1, 2006, they will maintain their paid health care privileges upon retirement, and access to health care will follow Act 93 requirements. Those employees who are eligible for medical benefits upon retirement, and who retire between the ages of 53 and 64, will receive medical benefits equal to those provided as follows: 100% coverage after 25 years of service, 75% coverage after 20 years of service, and 50% after 15 years of service. For employees joining this group on or after July 1, 2006, a payment of \$2,500+ per year will be contributed to a 403b or 457 account of the employee's choice.

These employees may purchase coverage until Medicare age by paying the premium that is determined for COBRA.

The administrators have the option of waiving the above benefit and in lieu of receiving postemployment benefits, receive an annual amount paid into a 403b account maintained by the employee or a health savings account. Currently, 63 employees have elected to receive this benefit in lieu of the other postemployment benefits described above.

No assets are accumulated in a trust that meets the criteria of GASB standards.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. 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. Healthcare cost trends were applied to retirees receiving less than \$ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped a maximum of \$ 1,200. As of June 30, 2020, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program or employer-sponsored health insurance program.

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.

Plan Membership

Membership in the School District's plan consisted of the following at July 1, 2020, the date of the latest actuarial valuation:

Active participants	1,102
Vested former participants	0
Retired participants	<u>30</u>
Total	<u>1,132</u>

Contributions

PSERS

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 the employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 473,057 for the year ended June 30, 2022.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

School District Plan

The School District's total OPEB liability was measured as of June 30, 2021 based on an actuarial valuation as of July 1, 2020. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2022, the School District reported a total OPEB liability of \$ 4,756,165.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$ 414,089.

PSERS

At June 30, 2022, the School District reported a liability of \$ 9,605,946 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The School 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 School District's proportion was 0.4053 percent, which was an increase of 0.0030 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$ 538,135.

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/ Net OPEB Liability	OPEB Expense
School District Plan	\$ 4,756,165	\$ 414,089
PSERS	9,605,946	538,135
Total	<u>\$ 14,362,111</u>	<u>\$ 952,224</u>

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 4,653,321
Changes for the year:	
Service cost	349,810
Interest	91,278
Difference between expected and actual experience	-
Changes in assumptions	(161,519)
Benefit payments	<u>(176,725)</u>
Net changes	<u>102,844</u>
Ending Balance	<u>\$ 4,756,165</u>

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in Total OPEB Liability (Continued)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 221,715	\$ 89,000	\$ -	\$ 89,000	\$ 221,715
Changes in assumptions	653,495	722,010	1,023,000	128,000	1,676,495	850,010
Net difference between projected and actual investment earnings	-	-	19,000	-	19,000	-
Changes in proportions - plan	-	-	149,000	222,000	149,000	222,000
Changes in proportions - governmental activities/business-type activities	-	-	117,617	117,617	117,617	117,617
Difference between employer contributions and proportionate share of total contributions	-	-	12,366	205	12,366	205
Contributions subsequent to the measurement date	185,336	-	496,002	-	681,338	-
	<u>\$ 838,831</u>	<u>\$ 943,725</u>	<u>\$ 1,905,985</u>	<u>\$ 467,822</u>	<u>\$ 2,744,816</u>	<u>\$ 1,411,547</u>

The \$ 681,338 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:	School District Plan	PSERS	Total
2023	\$ (26,999)	\$ 118,422	\$ 91,423
2024	(26,999)	117,422	90,423
2025	(26,999)	232,422	205,423
2026	(26,999)	196,276	169,277
2027	(26,999)	142,191	115,192
Thereafter	(155,235)	135,428	(19,807)
Total	<u>\$ (290,230)</u>	<u>\$ 942,161</u>	<u>\$ 651,931</u>

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

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

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	2.28% - S&P 20 year municipal bond rate as of July 1, 2021.	2.18% - S&P 20 year municipal bond rate as of June 30, 2021.
Salary	An assumption for salary increase is used 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%.	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	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.	Based on the blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjust to reflect PSERS' experience and project using a modified version of the MP-2020 Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	100% of employees who qualify for enhanced benefits and 60% of employees who qualify for Act 110/43 benefits are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
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.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 45-49, \$ 5,854 for males and \$ 8,454 for females; 50-54, \$ 7,753 for males and \$ 9,555 for females; 55-59, \$ 9,443 for males and \$ 9,998 for females; and 60-64, \$ 12,322 for males and \$ 11,485 for females.	N/A

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	<u>2.7%</u>	(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 2.28% and 2.18% for the School District's Plan for PSERS, respectively. The School District Plan is not funded, therefore, a rate of 2.28%, which is the S&P 20 year municipal bond rate as of July 1, 2021, is the applicable discount rate. Under the PSERS 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's plan 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 Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

***Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate
(Continued)***

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
School District Plan - Total OPEB liability	\$ 5,145,940	\$ 4,756,165	\$ 4,385,821
	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
PSERS - School District's proportionate share of the net OPEB liability	\$ 11,023,000	\$ 9,605,946	\$ 8,437,000

***Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost
Trend Rate***

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

School District Plan

	1% Decrease (5.0% Decreasing to 2.8%)	Healthcare Cost Trend Rate (5.5% Decreasing to 4.0%)	1% Increase (7.0% Decreasing to 4.8%)
School District Plan - Total OPEB Liability	\$ 4,100,113	\$ 4,756,165	\$ 5,552,248

PSERS

	1% Decrease (Between 4% to 6%)	Healthcare Cost Trend Rate (Between 5% to 7%)	1% Increase (Between 6% to 8%)
PSERS - School District's proportionate share of the net OPEB liability	\$ 9,604,000	\$ 9,605,946	\$ 9,606,000

OPEB Plan Fiduciary Net Position

PSERS

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

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Payables to the OPEB Plan

School District Plan

As of June 30, 2022, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2022, the School District had \$ 175,875 included in accrued salaries and benefits/withholdings liability, of which \$ 123,609 is for the contractually required contribution for the second quarter of 2022 and \$ 52,266 is related to the accrued payroll liability for wages incurred as of June 30, 2022.

NOTE 12 AFFILIATES

As explained in Note 1, the School District is affiliated with Lincoln Intermediate Unit #12, Franklin County Career and Technology Center, and Franklin Learning Center. Payments to fund the operating costs (excluding debt payments below) for the year ended June 30, 2022 were as follows:

Lincoln Intermediate Unit #12	\$ 5,320,089
Franklin County Career and Technology Center	2,040,730
Franklin Learning Center	<u>515,034</u>
	<u>\$ 7,875,853</u>

During the year ended June 30, 2021, the Franklin County Career and Technology Center issued a note in the amount of \$ 11,211,000 to refinance a previous bond that was issued to finance building additions and renovations. Each member district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the debt. Under the Articles of Agreement, each member district's share of debt payments is based on the district's ratio of market valuation of real estate to the total market valuation of real estate of all participating school districts. The Chambersburg Area School District's share of debt payments for 2021/2022 was \$ 362,709, which are excluded from the operating costs above. Based on the latest market valuation available, Chambersburg Area School District's share is 42.27%, which represents \$ 4483,579 of the outstanding debt of the Tech Center as of June 30, 2022.

NOTE 13 PENSION PLAN

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-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.state.pa.us.

NOTE 13 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

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 by 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 rights to benefits are vested after ten years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A members' right to a defined benefit is vested in 10 years.

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 by the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefits 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.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions

Member Contributions

The contribution rates 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%
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	10.3%
T-G	On or after July 1, 2019	5.5% 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 34.14% of covered payroll. This is 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 recognized as revenue by the defined benefit pension plan from the School District were \$ 20,631,252 for the year ended June 30, 2022. In addition, the School District's contribution to the defined contribution plan was \$ 106,552 for the year ended June 30, 2022.

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension and OPEB liabilities and related pension and OPEB expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2022, the School District recognized revenue of \$ 12,065,379 as reimbursement for its current year pension and OPEB payments.

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

At June 30, 2022, the School District reported a liability of \$ 166,238,700 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 School 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 School District's proportion was 0.4049 percent, which was an increase of 0.0025 percent from its proportion measured as of June 30, 2020.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2022, the School District recognized pension expense of \$ 10,792,905.

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 122,000	\$ 2,184,000
Changes in assumptions	8,063,000	-
Net difference between projected and actual investment earnings	-	26,461,000
Changes in proportions - plan	1,729,000	1,839,000
Changes in proportions - governmental activities/business-type activities	1,285,804	1,285,804
Difference between employer contributions and proportionate share of total contributions	477,350	-
Contributions subsequent to the measurement date	21,166,892	-
	<u>\$ 32,844,046</u>	<u>\$ 31,769,804</u>

The \$ 21,166,892 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:		
2023	\$	(5,042,900)
2024		(3,654,836)
2025		(2,845,914)
2026		<u>(8,549,000)</u>
Total	\$	<u>(20,092,650)</u>

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level percent of pay
- Investment rate of 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 and 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 projecting using a modified version of the MP-2010 Improvement Scale.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

- Demographic and economic assumptions approved by the Board for the 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 projecting using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The PSERS’s 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public entity	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%
Financing (LIBOR)	(13.0%)	0.1%
	<u>100.0%</u>	

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 13 PENSION PLAN (CONTINUED)

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

Discount Rate

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

Sensitivity of the School 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ 218,194,000	\$ 166,238,700	\$ 122,412,000

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.

Payables to the Pension Plan

As of June 30, 2022, the School District had \$ 7,505,462 included in accrued salaries and benefits/withholdings liability of which \$ 5,275,013 is for the contractually required contribution for the second quarter of 2022 and \$ 2,230,449 that is related to the accrued payroll liability for wages incurred as of June 30, 2022.

NOTE 14 CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District. At June 30, 2022, the School District is involved in multiple real estate tax assessment appeals involving the valuation or claimed exemption of properties within the School District. The School District has assigned fund balance for one specific appeal but cannot predict the total impact at this time.

CHAMBERSBURG AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 14 CONTINGENCIES (CONTINUED)

The School District typically is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, and unemployment compensation. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

Medical Insurance Fund

As of July 1, 2011, the School District implemented its own self-funded health care plan administered by Capital Blue Cross. This plan is a "cost plus" plan in which the School District pays Capital Blue Cross for actual claims and administering the plan. The School District has an internal service fund to account for the revenues and expense of the program. Transfers are made from the general fund and food service fund to the internal service fund based on actuarially determined rates. Other sources of revenue are proceeds from stop-loss insurance coverage, COBRA payments, and employee reimbursements (including retirees who elect to continue coverage). The School District maintains stop-loss coverage for claims greater than \$ 250,000 individually.

The School District offers its employees a direct reimbursement for eye care and dental expenses. The School District has an agreement with a third-party administrator who determines the benefit amount to be paid. The maximum allowance is \$ 1,000 for each individual covered for dental coverage. Coverage for eye care is based on allowances for different services (i.e. – exam, frames, lenses, etc.). Payment for these services is once every two years for adults and once a year for dependents up to age 19. There is no carryover for unused funds and the allowances run on a calendar year.

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 15 RISK MANAGEMENT (CONTINUED)

Changes in the self-insured claims liability amounts (including stop loss premiums and administrative charges) for the year ended June 30 were as follows:

Year Ended June 30	Liability Beginning	Current Year Expense (including Changes in Estimate)	Payments	Liability Ending
2022	\$ 1,733,577	\$ 18,029,174	\$ 17,611,587	\$ 2,151,164
2021	865,360	17,055,748	16,187,531	1,733,577

The ending liability represents unpaid claims and the estimated amount of incurred but not reported (IBNR) claims as of June 30, 2022. All expenditures for the School District's risk management are recorded in the internal service fund, general fund or food service fund.

NOTE 16 RESTATEMENT

The School District implemented a new accounting standard related to lease activity. A restatement was made to restate the beginning balances as follows:

	Governmental Activities
Net position as of June 30, 2021, as originally stated	\$ (109,052,174)
Implementation of GASB 87	26,335
Net position, as restated - June 30, 2021	<u>\$ (109,025,839)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHAMBERSBURG AREA SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2022

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET
REVENUES				
Local Sources				
Taxes	\$ 93,869,470	\$ 93,869,470	\$ 100,398,061	\$ 6,528,591
Investment earnings	81,145	81,145	68,757	(12,388)
Federal revenue from intermediate sources	1,700,000	1,700,000	2,206,579	506,579
Other	629,751	629,751	1,353,815	724,064
State sources	46,986,023	46,986,023	50,717,312	3,731,289
Federal sources	12,100,904	12,100,904	14,439,248	2,338,344
Total revenues	<u>155,367,293</u>	<u>155,367,293</u>	<u>169,183,772</u>	<u>13,816,479</u>
EXPENDITURES				
Instruction	96,836,362	99,239,504	99,856,350	(616,846)
Support services	45,348,717	45,477,993	44,986,032	491,961
Operation of noninstructional services	2,206,488	2,207,078	2,217,723	(10,645)
Facilities acquisition, construction and improvements	-	66,200	6,747,705	(6,681,505)
Debt service				
Principal	6,010,000	6,010,000	6,308,655	(298,655)
Interest	4,260,883	4,282,038	4,283,312	(1,274)
Total expenditures	<u>154,662,450</u>	<u>157,282,813</u>	<u>164,399,777</u>	<u>(7,116,964)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	8,000	8,000
Proceeds from issuance of leases	-	-	756,545	756,545
Interfund transfers	(704,843)	(704,843)	(5,204,843)	(4,500,000)
Budgetary reserve	-	2,620,363	-	(2,620,363)
Total other financing sources and (uses)	<u>(704,843)</u>	<u>1,915,520</u>	<u>(4,440,298)</u>	<u>(6,355,818)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,697</u>	<u>\$ 343,697</u>

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net Pension Liability – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.4049%	\$ 166,238,700	\$ 57,450,972	289.36%	63.67%
2021	0.4024%	198,137,800	56,472,408	350.86%	54.32%
2020	0.4101%	191,855,475	56,555,660	339.23%	55.66%
2019	0.4031%	193,508,000	54,281,936	356.49%	54.00%
2018	0.4019%	198,491,999	53,502,339	371.00%	51.84%
2017	0.4189%	207,593,547	54,257,321	382.61%	50.14%
2016	0.4160%	173,954,281	51,673,821	336.64%	54.36%
2015	0.3975%	157,333,350	50,729,081	310.14%	57.24%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during the 2020-2021:

- Actuarial cost method – Entry Age Normal – level % of pay
- The investment return 7.00%, includes inflation of 2.50%
- Salary growth – effective average of 4.5% comprised of inflation of 2.50% and 2.00% for real wage growth for merit or seniority increases
- Mortality rates 50% PubT-2010 and 50% PUBG-2010 Retiree Tables for Males and Females. Adjusted to reflect PSERS' experience and projected using modified version of the MP-2020 Improvement Scale.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's Contributions – Public School Employees' Retirement
System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	School District's Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 20,631,252	\$ 20,631,252	-	\$ 62,001,790	33.28%
2021	19,126,452	19,126,452	-	57,450,972	33.29%
2020	18,786,094	18,786,094	-	56,472,408	33.27%
2019	18,379,550	18,379,550	-	56,555,660	32.50%
2018	17,149,602	17,149,602	-	54,281,936	31.59%
2017	15,411,152	15,411,152	-	53,502,339	28.80%
2016	13,346,121	13,346,121	-	54,257,321	24.60%
2015	10,335,827	10,335,827	-	51,673,821	20.00%
2014	7,980,962	7,980,962	-	50,729,081	15.73%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios -
School District Plan

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 349,810	\$ 249,676	\$ 249,581	\$ 317,071	\$ 296,170
Interest	91,278	138,822	121,309	147,516	103,960
Differences between expected and actual experience	-	(87,943)	-	(204,870)	-
Changes in assumptions	(161,519)	558,546	(128,402)	(659,597)	283,954
Benefit payments	<u>(176,725)</u>	<u>(191,378)</u>	<u>(170,389)</u>	<u>(180,076)</u>	<u>(151,811)</u>
Net change in total OPEB liability	102,844	667,723	72,099	(579,956)	532,273
Total OPEB liability - beginning	<u>4,653,321</u>	<u>3,985,598</u>	<u>3,913,499</u>	<u>4,493,455</u>	<u>3,961,182</u>
Total OPEB liability - ending	<u>\$ 4,756,165</u>	<u>\$ 4,653,321</u>	<u>\$ 3,985,598</u>	<u>\$ 3,913,499</u>	<u>\$ 4,493,455</u>
Covered employee payroll	N/A	\$ 58,071,045	N/A	\$ 50,255,467	\$ 47,608,687
Total OPEB liability as a percentage of covered employee payroll	N/A	8.01%	N/A	7.79%	9.44%

NOTES

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period is one year prior to the fiscal year end.

N/A – Information is unavailable.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's Proportionate Share of the Net OPEB Liability - Public
School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.4053%	\$ 9,605,946	\$ 57,450,972	16.72%	5.30%
2021	0.4023%	8,692,484	56,472,408	15.39%	5.69%
2020	0.4101%	8,722,179	56,555,660	15.42%	5.56%
2019	0.4031%	8,404,000	54,281,936	15.48%	5.56%
2018	0.4190%	8,188,359	53,502,339	15.30%	5.47%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of School District's OPEB Contributions – Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 473,057	473,057	-	\$ 62,001,790	0.77%
2021	524,790	524,790	-	57,450,972	0.92%
2020	472,251	472,251	-	56,472,408	0.85%
2019	467,946	467,946	-	56,833,838	0.83%
2018	448,462	448,462	-	54,587,870	0.83%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

CHAMBERSBURG AREA SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Grantor Program Title	Source Code	Assistance Lising Number	Pass Through Grantor's Number	Grant Period Beginning /Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2021	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2022	Total Passed-Through to Subrecipients
U.S. Department of Education											
Impact Aid	D	84.041	N/A	N/A	N/A	\$ 476,021	\$ 90,948	\$ 385,073	\$ 385,073	\$ -	\$ -
Total Direct Funds						476,021	90,948	385,073	385,073	-	-
Passed through Pennsylvania Department of Education											
ESEA Title I	I	84.010	013-21-0076	July 30, 2020 - September 30, 2022	3,024,783	1,573,383	221,164	1,352,219	1,352,219	-	-
ESEA Title I Title I	I	84.010	013-22-0076	July 30, 2021 - September 30, 2023	2,844,074	1,324,590	-	1,681,630	1,681,630	357,040	-
						2,897,973	221,164	3,033,849	3,033,849	357,040	-
ESEA Title II Part A	I	84.367	020-21-0076	July 30, 2020 - September 30, 2022	409,164	158,644	28,301	97,144	97,144	(33,199)	-
ESEA Title II Part A Title II	I	84.367	020-22-0076	July 30, 2021 - September 30, 2023	317,106	147,865	-	311,075	311,075	163,210	-
						306,509	28,301	408,219	408,219	130,011	-
ESEA Title III	I	84.365	010-21-0076	July 30, 2020 - September 30, 2021	272,648	90,883	61,234	29,649	29,649	-	-
ESEA Title III Title III	I	84.365	010-22-0076	July 30, 2021 - September 30, 2022	171,484	124,192	-	139,680	139,680	15,488	-
						215,075	61,234	169,329	169,329	15,488	-
ESEA Title IV	I	84.424	144-21-0076	July 30, 2020 - September 30, 2021	175,796	128,917	53,499	75,418	75,418	-	-
ESEA Title IV Title IV	I	84.424	144-22-0076	July 30, 2021 - September 30, 2022	227,610	60,660	-	45,303	45,303	(15,357)	-
						189,577	53,499	120,721	120,721	(15,357)	-
Education Stabilization Fund											
COVID-19 - ARP ESSER Homeless Children and Youth	I	84.425C	181-212074	July 1, 2021 - September 30, 2024	93,041	7,157	-	-	-	(7,157)	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	200-200076	March 13, 2020 - September 30, 2022	1,903,893	400,819	377,728	23,091	23,091	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210076	March 13, 2020 - September 30, 2023	11,176,600	4,158,735	343,363	6,102,643	6,102,643	2,287,271	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III)	I	84.425U	223-210076	March 13, 2020 - September 30, 2024	22,607,027	1,644,147	-	2,880,688	2,880,688	1,236,541	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund ARP ESSER 7% Set-Asides	I	84.425U	225-210076	March 13, 2020 - September 30, 2024	1,757,074	1,277,872	-	1,085,796	1,085,796	(192,076)	-
aTSI Governor's Emergency Education Relief Fund (GEER)	I	84.425C	254-200076	March 13, 2020 - September 30, 2021	162,878	94,298	(9,848)	119,672	119,672	15,526	-
COVID-19 - SECIM	I	84.425C	252-200076	March 13, 2020 - September 30, 2021	79,784	58,788	(10,955)	69,743	69,743	-	-
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	I	84.425C	253-200076	March 13, 2020 - September 30, 2021	350,000	202,660	18,384	143,089	143,089	(41,187)	-
Passed through the Commonwealth of Pennsylvania											
COVID-19 School Health and Safety Grant	I	84.425D	S425D200028	March 13, 2020 - September 30, 2022	282,785	258,056	128,023	133,179	133,179	3,146	-
Total Education Stabilization Fund						8,102,532	846,695	10,557,901	10,557,901	3,302,064	-
Passed through Lincoln Intermediate Unit											
I.D.E.A.	I	84.027	N/A	July 1, 2021 - June 30, 2022	1,799,763	1,799,763	-	1,799,763	1,799,763	-	-
COVID-19 ARP I.D.E.A. Part B - Special Education	I	84.027	N/A	July 1, 2021 - September 30, 2022	386,025	386,025	-	386,025	386,025	-	-
I.D.E.A. 619 Funds - Speical Education	I	84.173	N/A	July 1, 2020 - June 30, 2022	20,790	20,790	-	20,790	20,790	-	-
Total Lincoln Intermediate Unit						2,206,578	-	2,206,578	2,206,578	-	-
Special Education Grants to States											
Passed through Lancaster-Lebanon Intermediate Unit											
PaTTAN	I	84.027	062-21-0-033	July 1, 2020 - September 30, 2021	10,000	9,956	9,956	-	-	-	-
Total Lancaster-Lebanon Intermediate Unit						9,956	9,956	-	-	-	-
Total Special Education Cluster						2,216,534	9,956	2,206,578	2,206,578	-	-
Total U.S. Department of Education						\$ 13,928,200	\$ 1,220,849	\$ 16,496,597	\$ 16,496,597	\$ 3,789,246	\$ -

CHAMBERSBURG AREA SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Grantor Program Title	Source Code	Assistance Lising Number	Pass Through Grantor's Number	Grant Period Beginning /Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2021	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2022	Total Passed-Through to Subrecipients
Federal Communications Commission											
Passed through Universal Service Administrative Company											
Emergency Connectivity Fund	I	32.009	ECF202107296	July 1, 2021 - June 30, 2023	427,434	\$ -	\$ -	\$ 338,955	\$ 338,955	\$ 338,955	\$ -
Total Federal Communications Commission											
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through Pennsylvania Department of Education											
COVID-19 School Breakfast Program	I	10.553	N/A	July 1, 2021 - June 30, 2022	N/A	739,208	-	999,323	999,323	260,115	-
COVID-19 National School Lunch Program	I	10.555	N/A	July 1, 2020 - June 30, 2021	N/A	1,122	1,122	-	-	-	-
COVID-19 National School Lunch Program	I	10.555	N/A	July 1, 2021 - June 30, 2022	N/A	3,747,220	-	4,887,968	4,887,968	1,140,748	-
COVID-19 SNP Emergency Operating Costs	I	10.555	N/A	July 1, 2021 - June 30, 2022	N/A	427,639	-	427,639	427,639	-	-
COVID-19 Supply Chain Assistance	I	10.555	N/A	July 1, 2021 - June 30, 2022	N/A	191,460	-	191,460	191,460	-	-
COVID-19 After School Snack	I	10.555	N/A	July 1, 2021 - June 30, 2022	N/A	17,976	-	23,838	23,838	5,862	-
COVID-19 Summer Food	I	10.559	N/A	July 1, 2021 - June 30, 2022	N/A	55,104	-	80,901	80,901	25,797	-
COVID-19 Summer Food	I	10.559	N/A	July 1, 2020 - June 30, 2021	N/A	543,912	543,912	-	-	-	-
COVID-19 School Breakfast Program	I	10.559	N/A	July 1, 2021 - June 30, 2022	N/A	29,319	-	39,426	39,426	10,107	-
COVID-19 After School Snack	I	10.559	N/A	July 1, 2021 - June 30, 2022	N/A	-	-	137	137	137	-
						5,013,752	545,034	5,651,369	5,651,369	1,182,651	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program (commodities)	I (B)	10.555	N/A	July 1, 2021 - June 30, 2022	N/A	330,816	-	330,816	330,816	-	-
Total National School Lunch Program						10,358,320	1,090,068	11,633,554	11,633,554	2,365,302	-
Total Child Nutrition Cluster						6,083,776	545,034	6,981,508	6,981,508	1,442,766	-
COVID-19 P-EBT Local Admin Funds	I	10.649	N/A	July 1, 2021 - June 30, 2022	N/A	5,814	-	5,814	5,814	-	-
Total U.S. Department of Agriculture						6,089,590	545,034	6,987,322	6,987,322	1,442,766	-
U.S. Department of Public Welfare											
Passed through Pennsylvania Department of Welfare											
Medical Assistance	I	93.778	N/A	July 1, 2020 - June 30, 2021	N/A	17,059	17,059	-	-	-	-
Medical Assistance	I	93.778	N/A	July 1, 2021 - June 30, 2022	N/A	51,841	-	72,150	72,150	20,309	-
Medical Assistance						68,900	17,059	72,150	72,150	20,309	-
Total U.S. Department of Public Welfare						68,900	17,059	72,150	72,150	20,309	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Emergency Management Agency											
COVID-19 Public Assistance Program (FEMA)	D	97.036	N/A	N/A	82,279	-	1,042	-	-	1,042	-
Total U.S. Department of Health and Human Services						-	1,042	-	-	1,042	-
Total Expenditures of Federal Awards						\$ 20,562,711	\$ 1,874,932	\$ 24,280,097	\$ 24,280,097	\$ 5,592,318	\$ -

CHAMBERSBURG AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (D) Direct Funding
- (I) Indirect Funding
- (B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the accrual basis of accounting, which conform to generally accepted governmental accounting principles. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as accounts payable or a receivable, respectively.

Indirect Cost Rate

The School District has elected to not use the 10% de minimis indirect cost rate for its federal programs.

**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***

Board of Directors
Chambersburg Area School District
Chambersburg, 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 Chambersburg Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Chambersburg Area School District's basic financial statements, and have issued our report thereon dated May 5, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Chambersburg 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 Chambersburg Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chambersburg Area School District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Smith Elliott Kearns + Company, LLC

Chambersburg, Pennsylvania
May 5, 2023

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

Board of Directors
Chambersburg Area School District
Chambersburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Chambersburg 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 Chambersburg Area School District's major federal programs for the year ended June 30, 2022. Chambersburg 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, Chambersburg 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 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 of our report.

We are required to be independent of Chambersburg 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 qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Chambersburg Area School District's compliance with the compliance requirements referred to above.

Responsibilities of Management of Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chambersburg 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 Chambersburg 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 Chambersburg Area School District compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chambersburg 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 Chambersburg 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that

there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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 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.

Government Auditing Standards requires the auditor to perform limited procedures on Chambersburg Area School District's response to the internal control over compliance finding in our compliance audit described in the accompanying schedule of findings and questioned costs. Chambersburg Area School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Smith Elliott Kearns + Company, LLC
Chambersburg, Pennsylvania
May 5, 2023

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiencies identified? ☐ Yes ☒ None Reported

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

Unmodified

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

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Program
84.425	Education Stabilization Fund
84.027	Special Education (I.D.E.A.) Cluster
32.009	Emergency Connectivity Fund Program

Dollar threshold used to distinguish between type A and type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II - Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

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

Section III - Federal Award Findings and Questioned Costs

A. Material Weaknesses in Internal Control over Compliance and Compliance Finding

Reference Number:	2022-001 – Procurement, Suspension, and Debarment
Federal Agency:	Federal Communication Commission
Federal Program:	Emergency Connectivity Fund Program – ALN 32.009
Compliance	
Requirement:	Procurement, Suspension, and Debarment
Type of Finding:	Material Weakness in Internal Control Over Compliance and Compliance

Criteria: Federal grant recipients are prohibited from contracting with parties suspended or debarred from doing business with the federal government. Federal regulations require that grant recipients ensure vendors are not suspended or debarred from doing business with the federal government. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collection of a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Statement of Condition: The School District contracted the purchase of mobile routers, modems, and antennas in which the vendors were not verified to not be suspended or debarred from receiving federal funds. During testing, it was found that applicable vendors were not listed as suspended or debarred.

Statement of Cause: While internal control policies are in place to address the procurement, suspension, and debarment requirements, these policies were not followed due to the fact the School District was unaware that the grant was federally funded until after the equipment was purchased.

Possible Asserted Effect: The School District could have purchased goods or services from suspended or debarred vendors that are not eligible to receive federal funds.

Questioned Costs: None

CHAMBERSBURG AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

<i>Context:</i>	The School District had two transactions that were applied to the Emergency Connectivity Fund Program during the fiscal year to the same vendor. Therefore, we tested all federal expenditures that would have required the School District to follow the procurement, suspension, and debarment requirements.
<i>Recommendation:</i>	The School District should ensure whether all funding sources, specifically grants, are federally funded and follow the related procurement, suspension, and debarment internal control policies previously established.
<i>Views of responsible officials and planned corrective action:</i>	The School District will require all grants to be submitted to the Business Office with applications and award letters. In addition, a form will be designed that will be attached to the application and award letter along with a request for a funding source to track revenues and expenditures.



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435 Stanley Avenue Chambersburg, PA 17201
(717) 261-9281 Fax (717) 261-3321

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Findings related to financial statements:

None

Findings related to federal awards:

None