

**Shanksville-Stonycreek School District
Shanksville, Pennsylvania**

**Single Audit as Required
By the Uniform Guidance**

**For the Year Ended
June 30, 2023**

Table of Contents

List of Report Distributions	2
Independent Auditors' Report	3
Management's Discussion and Analysis	6
Basic Financial Statements	
Statement of Net Position	21
Statement of Activities	23
Balance Sheet – Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Statement of Net Position – Proprietary Fund	29
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Fund	30
Statement of Cash Flows – Proprietary Fund	31
Statement of Fiduciary Net Position – Fiduciary Funds	32
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	33
Notes to Financial Statements	34
Required Supplementary Information:	
Pension Schedules	65
OPEB Schedules – PSERS Health Insurance Premium Assistance Program	66
OPEB Schedules – District Specific Plan	67
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	68
Schedule of Expenditures of Federal Awards and Certain State Grants	69
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	75
Schedule of Findings and Questioned Costs	78



List of Report Distribution

January 8, 2024

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, PA 15560-0128

Board Members:

Not later than thirty days after the receipt of the audit report, Shanksville-Stonycreek School District must distribute the audit report as follows:

One (1) copy to:	Commonwealth of Pennsylvania Bureau of Audits (Submitted electronically)
One (1) copy to:	Single Audit Clearinghouse (Submitted electronically)

Sincerely,

Kotzan CPA & Associates, P.C.

Independent Auditors' Report

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, PA 15560-0128

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 Shanksville-Stonycreek School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 Shanksville-Stonycreek School District, as of June 30, 2023, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Shanksville-Stonycreek 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.

Emphasis of Matter – GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

As discussed in Note 21 to the financial statements, Shanksville-Stonycreek School District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This statement requires recognition of certain right-to-use subscription assets and corresponding liabilities for arrangements that were previously recognized as outflows of resources based on the payment provisions of the arrangement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shanksville-Stonycreek 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.

Auditors' 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 auditors' 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 Shanksville-Stonycreek 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 Shanksville-Stonycreek 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

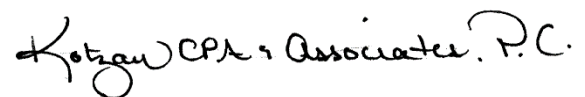
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and OPEB information, and budgetary comparison information on pages 6-19, pages 65-67, and page 68, respectively, be presented to supplement the basic financial 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 Shanksville-Stonycreek School District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2024, on our consideration of Shanksville-Stonycreek 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 Shanksville-Stonycreek 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 Shanksville-Stonycreek School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 8, 2024

Management's Discussion and Analysis

Shanksville-Stonycreek School District

2022-2023

The Management's Discussion and Analysis (MD&A) of the Shanksville-Stonycreek School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent auditor's transmittal letter and notes to the financial statements to enhance their understanding of the district's financial performance. Certain comparative information between the current year and prior year is required to be presented.

This discussion and analysis is part of the required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 requires certain comparative information to be presented between the current and the prior year and is detailed herein accordingly.

Description of the School District

The Shanksville-Stonycreek School District is nestled along the slopes of the Allegheny Mountains in the central part of Somerset County about eight miles northeast of Somerset, Pennsylvania and 30 miles northwest of Cumberland, Maryland. It is comprised of the township of Stonycreek and the boroughs of Indian Lake and Shanksville. The School District has a population of approximately 2,800 residents.

Much of the land is productively engaged in farming. Lumbering and strip mining are important components of the local economy. The area has vast opportunities for the expansion of tourism and recreation in a multi-seasonal climate. The Flight 93 National Memorial is also part of the district and could have an impact on the local economy as well.

Because of the size of its student population, which is approximately 290 students Pre-K through 12, the District consistently ranks as one of the smallest, single-building districts in the state. The District is the 6th smallest district in the Commonwealth based on student enrollment.

The District employed 62 regular employees through June 30, 2023, with roughly 25 part-time substitutes at any time. The teaching staff consisted of 36 full-time professionals. The District has two (2) additional teaching positions with the use of federal ESSER stimulus funding starting July 1, 2020 due to COVID-19. Teachers in the District are members of the Pennsylvania State Education Association (PSEA) and the Shanksville-Stonycreek Education Association (SSEA), which is the representative bargaining unit. The existing SSEA contract is set to expire on June 30, 2026.

Financial Highlights

Key financial highlights for the year ending June 30, 2023 are as follows:

- ❖ District-wide net position increased \$1,744,237
- ❖ Total fund balances of all governmental funds equaled \$7,310,887
- ❖ Unassigned general fund balance equaled \$2,151,895
- ❖ Committed general fund balance equaled \$2,080,000. This amount was committed as follows:
 - ❖ PSERS Retirement \$400,000
 - ❖ Technology Replacement \$230,000
 - ❖ Curriculum Enhancement \$200,000
 - ❖ Post-Employment Benefits \$400,000
 - ❖ Future Capital Improvements \$850,000

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

- ❖ Capital Projects fund balance equaled \$3,046,858
- ❖ Total general fund revenues exceeded budget by \$1,107,752
- ❖ Total general fund expenses, excluding budgetary reserve and transfers, were \$2,901 under budget
- ❖ The District's proprietary fund/business-type activity (cafeteria) had a decrease in net position of \$19,365

Long Term Issues and Commitments

- ❖ Long Term Debt consists of the District's estimated share of the refinanced Series of 2004 area vocational-technical school's general obligation bond. The District's share of the balance outstanding at June 30, 2023 is \$68,861.
- ❖ Long Term Debt also consists of the District's lease obligations in accordance with the implementation of GASB Statement No. 87 *Leases*. The District's outstanding liability for lease obligations at June 30, 2023 is \$12,986.

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

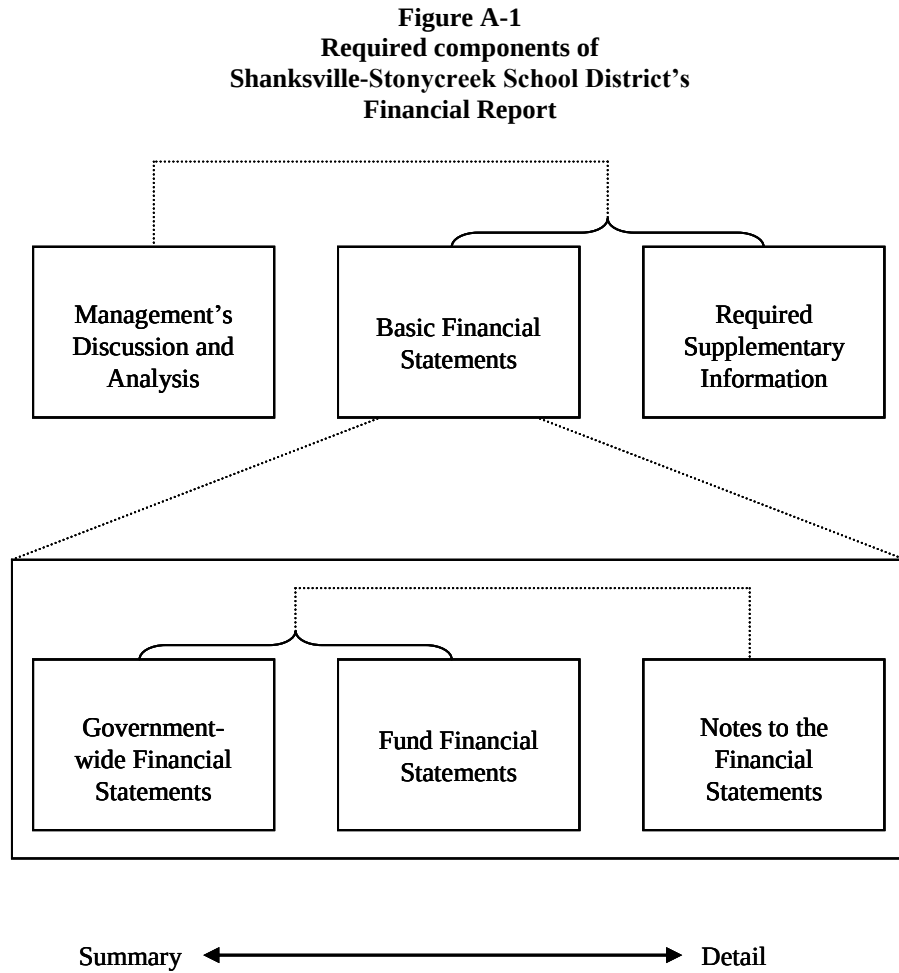
The District's basic financial statements include two types of statements, which present different views of the District. The first type of statements are the **District-wide Financial Statements** that provide both short-term and long-term information about the District's overall financial status on a full accrual basis of accounting. The remaining statements are **Fund Financial Statements** that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide financial statements.

The Governmental fund statements indicate how the District financed its basic services such as regular and special education. Proprietary fund statements offer financial information about activities the District operates like a business, such as its Food Service Program. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. For this School District, these are student activity funds.

The financial statements also include notes that explain some of the information in the statements, and provide more detailed data.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-2 summarizes the major features of the financial statements, including the portion of the District they cover and the types of information they contain.

Figure A-2
Major Features of Shanksville-Stonycreek School District's
District-wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operate similar to private business – Food Services	Instances in which the District administers resources on behalf of someone else – student activity funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

District-Wide Financial Statements

The District-wide financial statements are designed to provide the reader of the District's Annual Financial Report with a broad overview of the financial activities in a manner similar to a private sector business. The District-wide financial statements include the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The *Statement of Activities* reports the change in net position. Net position – the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health one must also consider additional factors such as changes in enrollment, increases (decreases) to the District's long-term debt, changes in the District's property tax base, changes in the State's funding of educational costs, changes in the economy, and the condition of or need for improvements or expansion to existing school facilities.

In the District-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid, finance most of these activities. Fixed assets and related debt are also supported by taxes and intergovernmental activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as its food service program.

Fund Financial Statements

The fund financial statements provide detailed information about the School District's operations. The School District is required to provide detailed information for its "major" funds. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs.

The District has three types of funds as follows:

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Therefore, the governmental funds statements provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds are the General Fund and the Capital Projects Fund.

Because the focus of fund financial statements is narrower than that of the District-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Reconciliations for both the Governmental Fund Balance Sheet to Statement of Net Position District-wide and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities are provided to facilitate this comparison between governmental funds and governmental activities.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Proprietary Funds are comprised of the services for which the District charges a fee. Proprietary funds are reported on a full accrual basis of accounting in both the fund financial statements and the District-wide financial statements. A district's *Enterprise Funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, its Food Service Fund.

Fiduciary Funds are the assets that the District serves as the trustee of, such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The District's financial position is a result of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-3 summarizes the assets, liabilities, and net position of the District at June 30, 2023.

Figure A-3
Net Position as of June 30, 2023 - (District-Wide)

	Governmental Activities		Business-Type Activities		Total School District		Total % Change 2022-23
	2023	2022	2023	2022	2023	2022	
Assets							
Current Assets	\$ 8,731,447	\$ 7,185,627	\$ 58,805	\$ 70,419	\$ 8,790,252	\$ 7,256,046	
Noncurrent Assets	2,806,222	2,914,330	74,928	84,138	2,881,150	2,998,468	
Total Assets	\$ 11,537,669	\$ 10,099,957	\$ 133,733	\$ 154,557	\$ 11,671,402	\$ 10,254,514	13.82%
Deferred Outflows of Resources	\$ 1,685,655	\$ 1,932,485	\$ 0	\$ 0	\$ 1,685,655	\$ 1,932,485	-12.77%
Liabilities							
Current Liabilities	\$ 757,048	\$ 722,636	\$ 24,070	\$ 25,504	\$ 781,118	\$ 748,140	
Long-Term Liabilities	9,639,922	9,511,218	325	350	9,640,247	9,511,568	
Total Liabilities	\$ 10,396,970	\$ 10,233,854	\$ 24,395	\$ 25,854	\$ 10,421,365	\$ 10,259,708	1.58%
Deferred Inflows of Resources	\$ 873,788	\$ 1,609,624	\$ 0	\$ 0	\$ 873,788	\$ 1,609,624	-45.71%
Net Position							
Invested in Capital Assets	\$ 2,793,236	\$ 2,895,110	\$ 74,928	\$ 84,138	\$ 2,868,164	\$ 2,979,248	
Restricted	3,046,858	2,048,083	0	0	3,046,858	2,048,083	
Unrestricted	(3,887,528)	(4,754,229)	34,410	44,565	(3,853,118)	(4,709,664)	
Total Net Position	\$ 1,952,566	\$ 188,964	\$ 109,338	\$ 128,703	\$ 2,061,904	\$ 317,667	-549.08%

Current assets are largely comprised of cash and cash equivalents and investments which represent over \$7.4 million at June 30, 2023. Noncurrent assets represent land, buildings and equipment less accumulated depreciation and right-of-use assets, net of accumulated amortization. Current liabilities are comprised primarily of accrued salaries and benefits, payroll deductions and withholdings, and the current portion of long-term liabilities, representing an approximate total of \$780,000 at June 30, 2023. The financial statements reflect deferred inflows and outflows of resources relating to the pension plan and other post-employment benefits as a result of GASBs 68 and 75.

The increase in current assets combined with the decrease in deferred inflows of resources, offset by the decrease in deferred outflows of resources and the slight increase in total liabilities resulted in an increase in net position of over \$1.7 million in fiscal year 2023.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-4 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2023.

Figure A-4
Changes in Government-wide Net Position
For the Year Ended June 30, 2023

	Governmental Activities		Business-type Activities		Total School District		Total % Change
	2023	2022	2023	2022	2023	2022	2022-23
Revenues:							
Program Revenues:							
Charges for Services	\$ 6,084	\$ 10,344	\$ 86,270	\$ 39,526	\$ 92,354	\$ 49,870	
Operating Grants and Contributions	2,388,054	1,528,431	194,288	236,755	2,582,342	1,765,186	
Capital Grants and Contributions	14,289	14,003	0	85,390	14,289	99,393	
Total Program Revenues	<u>2,408,427</u>	<u>1,552,778</u>	<u>280,558</u>	<u>361,671</u>	<u>2,688,985</u>	<u>1,914,449</u>	40.46%
General Revenue:							
Property and Other Taxes Levied	4,058,508	4,094,303	0	0	4,058,508	4,094,303	
Grants, subsidies, contributions	1,886,851	1,780,463	0	0	1,886,851	1,780,463	
Investment Earnings	236,087	11,806	232	1,968	236,319	13,774	
Miscellaneous Income	3,412	2,268	0	1,085	3,412	3,353	
Transfers	<u>(3,147)</u>	<u>(4,291)</u>	<u>3,147</u>	<u>4,291</u>	<u>0</u>	<u>0</u>	
Total General Revenues	<u>6,181,711</u>	<u>5,884,549</u>	<u>3,379</u>	<u>7,344</u>	<u>6,185,090</u>	<u>5,891,893</u>	4.98%
Expenses:							
Instruction	4,025,131	3,748,074	0	0	4,025,131	3,748,074	
Instructional Student Support	509,743	477,645	0	0	509,743	477,645	
Admin and Financial Support Services	888,474	827,720	0	0	888,474	827,720	
Operating and Maintenance							
of Plant Services	709,696	769,620	0	0	709,696	769,620	
Pupil Transportation	544,648	398,203	0	0	544,648	398,203	
Student Activities	145,052	166,876	0	0	145,052	166,876	
Interest on Long-term Obligations	3,792	5,019	0	0	3,792	5,019	
Food Service	<u>0</u>	<u>0</u>	<u>303,302</u>	<u>265,152</u>	<u>303,302</u>	<u>265,152</u>	
Total Expenses	<u>6,826,536</u>	<u>6,393,157</u>	<u>303,302</u>	<u>265,152</u>	<u>7,129,838</u>	<u>6,658,309</u>	7.08%
Increase (Decrease) in Net Position	<u>\$ 1,763,602</u>	<u>\$ 1,044,170</u>	<u>\$ (19,365)</u>	<u>\$ 103,863</u>	<u>\$ 1,744,237</u>	<u>\$ 1,148,033</u>	

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

The School District experienced an overall increase in net position of \$1,744,237 for fiscal year 2023, with an increase in both revenues and expenditures compared to the prior year.

The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues and unrestricted state entitlements.

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2023	2023	2022	2022
Program Expenses				
Governmental Activities:				
Instruction	\$ 4,025,131	\$ 1,861,797	\$ 3,748,074	\$ 2,417,265
Instructional student support	509,743	508,857	477,645	470,906
Administration	888,474	883,519	827,720	822,786
Maintenance	709,696	648,921	769,620	732,759
Pupil transportation	544,648	372,255	398,203	235,112
Student activities	145,052	138,968	166,876	156,532
Interest and fiscal charges	3,792	3,792	5,019	5,019
Net program expenses	<u>\$ 6,826,536</u>	4,418,109	<u>\$ 6,393,157</u>	4,840,379
Less: Unrestricted state entitlements		<u>(1,886,851)</u>		<u>(1,780,463)</u>
Total governmental activities		<u>\$ 2,531,258</u>		<u>\$ 3,059,916</u>
Business-type activities:				
Food service	<u>\$ 303,302</u>	<u>\$ 22,744</u>	<u>\$ 265,152</u>	<u>\$ (96,519)</u>

Governmental Activities

Total net cost of service decreased approximately \$525,000 (17.3%) from 2021-2022 to 2022-2023.

Business-Type Activities

The Food Service Fund reported a decrease in net position of \$19,365 for fiscal year 2023 compared to the previous year's increase of \$103,863. The increase in fiscal year 2022 was attributed to recognition of a capital contribution associated with the purchase of capital assets by the capital projects fund (\$85,390) and an increase in subsidy revenue over the previous year. Subsidy revenue in fiscal year 2023 was comparable to fiscal year 2022 with a slight increase of approximately \$4,000, while expenses increased approximately \$38,000, leading to the decrease in net position.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Figure A-5 breaks out expenditures by function per the fund financial statements (general fund) with a comparison to the prior year as well as current year budget variances.

Figure A-5
Expenditures by Function - Budget vs. Actual

Function	Description	Actual 2022-23 Expenses	Actual 2021-22 Expenses	Increase/ (Decrease) From P/Y	2022-23 Budget	(Unfavorable)/ Favorable 2022-23 Variance
1100	Regular Educational Programs	\$ 3,208,221	\$ 3,156,132	\$ 52,089	\$ 3,244,078	\$ 35,857
1200	Special Programs	521,294	472,357	48,937	499,998	(21,296)
1300	Vocational Education	249,593	236,993	12,600	244,000	(5,593)
1400	Other Instructional Programs	3,178	5,418	(2,240)	5,250	2,072
1700	Community/junior college programs	1,214	0	1,214	0	(1,214)
1800	Pre-kindergarten	132,764	74,674	58,090	130,349	(2,415)
2100	Support Services - Pupil	152,129	144,664	7,465	151,887	(242)
2200	Support Services - Instructional Staff	376,337	341,038	35,299	394,778	18,441
2300	Support Services - Administration	600,153	585,686	14,467	601,542	1,389
2400	Support Services - Pupil Health	67,473	60,914	6,559	67,995	522
2500	Support Services - Business	239,344	234,227	5,117	240,561	1,217
2600	Operation and Maintenance	807,386	690,720	116,666	862,130	54,744
2700	Student Transportation Services	455,202	385,062	70,140	369,400	(85,802)
2900	Other Support Services	2,379	2,549	(170)	2,700	321
3200	Student Activities	142,675	168,608	(25,933)	145,011	2,336
3300	Community Services	2,037	1,631	406	2,600	563
3400	Scholarships and Awards	2,000	1,000	1,000	0	(2,000)
5100	Debt Service / Leases	51,000	49,559	1,441	56,800	5,800
5130	Refund of Prior Year Receipts	1,799	2,972	(1,173)	0	(1,799)
5200	Fund Transfers	1,010,791	711,935	298,856	990,000	(20,791)
5900	Budgetary Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,530</u>	<u>35,530</u>
	Total Expenditures	8,026,969	7,326,139	700,830	8,044,609	17,640
	Revenues/Other financing sources	<u>8,481,684</u>	<u>7,472,687</u>	1,008,997	<u>7,373,932</u>	1,107,752
	Net Change	<u>\$ 454,715</u>	<u>\$ 146,548</u>		<u>\$ (670,677)</u>	

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that total expenditures do not exceed total appropriations. A schedule showing the School District's detail budget amounts compared with amounts actually paid and received is provided in Figure A-5. Significant variances in line items are discussed below.

- A. Total General Fund Revenues exceeded budget by \$1,107,752.
 1. Budgetary estimate differed significantly in the following areas:
 - a. Local revenues:
 - i. Local revenues in total yielded a surplus of \$345,022 over budget.
 - ii. Real Estate Taxes – Collections yielded \$101,798 over the conservatively budgeted amount with more taxpayers paying within the normal tax collection period.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

- iii. Local Earned Income Taxes – Local EIT tax collection was over budget by \$91,312 for the year showing continued growth in the Earned Income within the District.
- iv. PILT (Payment In Lieu of Taxes) - \$41,051 reimbursement from the federal government via the county government was not in the budget. This amount is not expected to continue in future years, and is not included in the budgeted local revenues.
- v. Interest Earnings – Interest earned during the year far exceeded budgeted expectations by \$125,730. The District will continue to take advantage of increased interest rates to help increase the revenue bottom line.
- b. State Revenues:
 - i. State Revenues were \$141,970 over budget in total with most of that coming from a very conservative budgeted amount for Basic Education Subsidy.
- c. Federal Revenues:
 - i. Federal Revenues were \$620,760 over budget with the continued influx of federal stimulus dollars that the state passed through to the District and the federal stimulus dollars we received directly from the federal government. The District expended all of the remaining ESSER II – CRRSA funds and the majority of its ARP ESSER funding leaving a small amount of ARP ESSER to be spent in 2023-2024.
- B. Total General Fund Expenditures, excluding transfers and budgetary reserve, were under budget by \$2,901.
 - 1. The increase in General Fund revenues, offset by the increase in expenditures, yielded an increase of \$454,715 in fund balance after a transfer of \$1,000,000 was made to Capital Reserve Fund by the Board.
 - 2. The budget variances in figure A-5 are the result of only one set of budgetary transfers approved by the Board mid-year. Most of the budget overage was still in Budgetary Reserve for emergency purposes.
 - 3. Salaries were under budget \$33,992.
 - a. Support Staff shortages in the maintenance department and lack of substitutes helped in saving salary dollars.
 - 4. Benefits were under budget \$29,890.
 - a. FICA and PSERS savings are a direct benefit from salary savings along with benefit cost savings with vacant positions.
 - 5. Supplies were under budget \$13,647 and Equipment was under \$20,992.
 - a. Savings in these two (2) object areas along with salaries and benefits helped offset the overage in services primarily due to extraordinary increases in charter school tuition and transportation costs.

Revenue – Fund Financials – General Fund

The revenue for the school district comes from local, state, and federal sources. During the 2022-23 fiscal year, \$4,287,664 local funds (50%), \$2,929,258 state funds (35%) and \$1,264,762 federal funds (15%) were recognized by the general fund.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Local funding is primarily from real estate taxes (\$3,332,440) and earned income taxes (\$351,312). Delinquent taxes in the amount of \$137,567 were collected during the fiscal year.

Basic Education Subsidy of \$1,669,483 makes up 57% of the total grants, subsidies and contributions received from the state.

Other significant receipts for the state include Special Education, \$247,218; Transportation Subsidy, \$172,393; State Property Tax Reduction Allocation, \$217,368; and Revenue for Social Security and Retirement Payments, \$567,182.

Federal funding in fiscal year 2023 is primarily funding through the Elementary and Secondary School Emergency Relief Fund and the American Rescue Plan (\$1,123,341) used to respond to coronavirus and address various impacts of the pandemic. Title grants contributed an additional \$140,535 in federal funding.

Technology

The importance of technology continues to be a part of the District's philosophy and planning. The District continues to replace existing equipment while extending the 1:1 program into the primary grade levels. Chromebooks are the primary student device while we begin implementing iPads in the first few grade levels.

The new reading and mathematics series purchased for the elementary grades will extensively utilize the classroom technology that continue to be upgraded in the elementary classrooms. Continued planning for STEAM-related curriculum is growing both the elementary and secondary levels. Teachers are embracing our STEAM initiative by implementing new curriculum projects that enforce the STEAM skills and initiatives not just in our science classrooms, but also in our regular classrooms as well.

The District also committed to a long-term remote learning management system that the teachers are incorporating into their daily teaching routine, whether in-person or virtual. The District is also investing into new electronic teaching devices to further aid the teachers in their physical and virtual classrooms. Technology will continue to be a main focus of expenditures moving forward.

Capital Assets

Figure A-6 illustrates changes in capital assets, net of depreciation, by asset type.

Figure A-6
Capital Assets Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		% Change
	2023	2022	2023	2022	2023	2022	2022-23
Land	\$ 24,792	\$ 24,792	\$ 0	\$ 0	\$ 24,792	\$ 24,792	
Site improvements	4,962	5,359	0	0	4,962	5,359	
Buildings	2,506,028	2,688,305	0	0	2,506,028	2,688,305	
Equipment and furniture	257,454	176,654	74,928	84,138	332,382	260,792	
Total	<u>\$ 2,793,236</u>	<u>\$ 2,895,110</u>	<u>\$ 74,928</u>	<u>\$ 84,138</u>	<u>\$ 2,868,164</u>	<u>\$ 2,979,248</u>	-3.73%

While capital additions for the District in 2022-23 totaled \$117,688, depreciation expense totaled \$228,772 resulting in a decrease in net capital assets over prior year.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

Long-Term Debt

Figure A-7 summarizes the change in long-term debt for the year ended June 30, 2023 compared to the year ended June 30, 2022.

Figure A-7
Outstanding Long-Term Debt

	Total School District		Total Percentage Change
	2023	2022	
Technology Debt	\$ 68,861	\$ 109,835	
Lease Obligations	12,986	19,220	
Total	<u>\$ 81,847</u>	<u>\$ 129,055</u>	-36.58%

Currently Known Facts, Decisions or Conditions

The School District does not expect significant growth in the near future given the residential nature of the local economy. Continued strain on the economy at the local, state and federal levels will have an effect on our revenue although we continue to see an increase in Earned Income. The School District has held the line on property taxes since 2015-16. Current economic conditions across the nation still continue to affect the District's bottom line and will continue to be a factor in considering any local real estate tax increases in the near future.

The District continues to monitor the staff size in comparison to the student population in order to provide the best education possible while remaining fiscally responsible. The District started the year with three (3) vacant teaching positions and contracted with Distant Learning services to provide teaching for two of three vacancies. We have since filled one of the two positions and have a long-term sub in the remaining position to monitor the classroom.

The District hired two (2) of the grant-funded temporary teachers as district hires to fill some key positions, and we have one (1) remaining grant-funded for a daily substitute teacher to fill in on a daily basis.

The District is in its second year of a four (4) year contract that started July 1, 2022 and expires June 30, 2026. This contract allows the District to increase the starting teacher rate to help the District remain competitive in recruiting teachers.

The results of the state's fair funding lawsuit remain to be unknown on how it will affect our largest fund source from the state, Basic Education. With the recent legislative changes due to the November 2022 election. The record investments in Basic Education Funding is 2022-2023 and 2023-2024 have helped somewhat, but it the District's expectation to not see any monumental increases for the District based on the BEF formula factors.

As state funding continues to decrease or be completely eliminated, the School District is evaluating programs to determine whether or not to continue programs with local dollars. Programs like Dual Enrollment and Intervention services are being maintained at some level by local dollars since they have proven to be a benefit to the academic process in the District. The District did start a new FFA program starting in 2018-19 with over 20 students participating in the program's first year. Even with a change in the teaching position for this program, the program continues to grow and add new curriculum options for students.

The District made its final debt service payment for the 2001 renovation project in September 2019. The only debt remaining for the District is the SCTC debt that still has three (3) more years of payments left. In lieu of the debt service payment in 2020-21, the District did make a comparable designation to the Capital Reserve Fund.

Shanksville-Stonycreek School District
Management's Discussion and Analysis (MD&A)

The District started a complete facilities feasibility study with Crabtree, Rohrbaugh and Associates out of Mechanicsburg, PA. The goal of this study is to identify, prioritize and cost out repairs, upgrades, and new enhancements needed throughout the entire campus since the 2001 renovation. The increased annual transfers to Capital Reserve will be the primary funding source for these identified projects to ensure we can do them while remaining debt free.

Crabtree has completed their initial on-site evaluations and are in the process of completing the study with their recommendations and projected costs to provide a 10-year facilities management plan for the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have any questions about this report or need additional information, contact the Business Office, Shanksville-Stonycreek School District.

BASIC FINANCIAL STATEMENTS

Shanksville-Stonycreek School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and equivalents	\$ 6,358,198	\$ 45,756	\$ 6,403,954
Investments	1,000,000	0	1,000,000
Internal balances - custodial fund	630	0	630
Taxes receivable	800,860	0	800,860
Intergovernmental receivables	538,427	2,406	540,833
Other receivables	1,198	1,567	2,765
Inventories	15,253	9,076	24,329
Prepaid expenses	<u>16,881</u>	<u>0</u>	<u>16,881</u>
Total current assets	<u>8,731,447</u>	<u>58,805</u>	<u>8,790,252</u>
Noncurrent assets:			
Land	24,792	0	24,792
Depreciable capital assets, net	2,768,444	74,928	2,843,372
Right-of-use assets, net	<u>12,986</u>	<u>0</u>	<u>12,986</u>
Total noncurrent assets	<u>2,806,222</u>	<u>74,928</u>	<u>2,881,150</u>
Total assets	<u>11,537,669</u>	<u>133,733</u>	<u>11,671,402</u>
Deferred Outflows of Resources			
Defined benefit pension plan	1,408,603	0	1,408,603
Other post-employment benefits (OPEB)	<u>277,052</u>	<u>0</u>	<u>277,052</u>
Total deferred outflows of resources	<u>1,685,655</u>	<u>0</u>	<u>1,685,655</u>
Total assets and deferred outflows of resources	<u>\$ 13,223,324</u>	<u>\$ 133,733</u>	<u>\$ 13,357,057</u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Due to other governments	\$ 45,108	\$ 0	\$ 45,108
Accounts payable	108,826	0	108,826
Accrued salaries and benefits	285,201	5,619	290,820
Payroll deductions and withholdings	263,035	0	263,035
Unearned revenue	6,991	18,276	25,267
Current portion of long-term liabilities	<u>47,887</u>	<u>175</u>	<u>48,062</u>
Total current liabilities	<u>757,048</u>	<u>24,070</u>	<u>781,118</u>
Noncurrent liabilities:			
Long-term portion of compensated absences	91,025	325	91,350
Long-term portion of lease obligation	6,752	0	6,752
Other long-term financing	40,145	0	40,145
Net other post-employment benefits (OPEB)	1,277,000	0	1,277,000
Net pension liability	<u>8,225,000</u>	<u>0</u>	<u>8,225,000</u>
Total noncurrent liabilities	<u>9,639,922</u>	<u>325</u>	<u>9,640,247</u>
Total liabilities	<u>10,396,970</u>	<u>24,395</u>	<u>10,421,365</u>
Deferred Inflows of Resources			
Defined benefit pension plan	603,788	0	603,788
Other post-employment benefits (OPEB)	<u>270,000</u>	<u>0</u>	<u>270,000</u>
Total deferred inflows of resources	<u>873,788</u>	<u>0</u>	<u>873,788</u>
Net Position			
Invested in capital assets	2,793,236	74,928	2,868,164
Restricted for:			
Capital projects	3,046,858	0	3,046,858
Unrestricted	<u>(3,887,528)</u>	<u>34,410</u>	<u>(3,853,118)</u>
Total net position	<u>1,952,566</u>	<u>109,338</u>	<u>2,061,904</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 13,223,324</u>	<u>\$ 133,733</u>	<u>\$ 13,357,057</u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 4,025,131	\$ 0	\$ 2,163,334	\$ 0	\$ (1,861,797)	\$ 0	\$ (1,861,797)
Instructional student support	509,743	0	886	0	(508,857)	0	(508,857)
Administration and financial support	888,474	0	4,955	0	(883,519)	0	(883,519)
Operations and maintenance of plant	709,696	0	46,486	14,289	(648,921)	0	(648,921)
Pupil transportation	544,648	0	172,393	0	(372,255)	0	(372,255)
Student activities	145,052	6,084	0	0	(138,968)	0	(138,968)
Interest on long-term obligations	<u>3,792</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,792)</u>	<u>0</u>	<u>(3,792)</u>
Total governmental activities	6,826,536	6,084	2,388,054	14,289	(4,418,109)	0	(4,418,109)
Business-Type Activities:							
Food service	<u>303,302</u>	<u>86,270</u>	<u>194,288</u>	<u>0</u>	<u>0</u>	<u>(22,744)</u>	<u>(22,744)</u>
Total primary government	<u>\$ 7,129,838</u>	<u>\$ 92,354</u>	<u>\$ 2,582,342</u>	<u>\$ 14,289</u>	<u>(4,418,109)</u>	<u>(22,744)</u>	<u>(4,440,853)</u>
General Revenues:							
Taxes levied					4,058,508	0	4,058,508
Grants, subsidies and contributions, not restricted					1,886,851	0	1,886,851
Investment earnings					236,087	232	236,319
Miscellaneous					3,412	0	3,412
Transfers between governmental, business-type activities					<u>(3,147)</u>	<u>3,147</u>	<u>0</u>
Total general revenues and transfers					<u>6,181,711</u>	<u>3,379</u>	<u>6,185,090</u>
Change in net position					1,763,602	(19,365)	1,744,237
Net position, beginning of year					<u>188,964</u>	<u>128,703</u>	<u>317,667</u>
Net position, end of year					<u>\$ 1,952,566</u>	<u>\$ 109,338</u>	<u>\$ 2,061,904</u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Major Fund Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 4,311,340	\$ 2,046,858	\$ 6,358,198
Investments	1,000,000	0	1,000,000
Taxes receivable	800,860	0	800,860
Due from other funds	630	1,000,000	1,000,630
Due from other governments	538,427	0	538,427
Other receivables	1,198	0	1,198
Inventories	15,253	0	15,253
Prepaid expenses	16,881	0	16,881
	<u>6,684,589</u>	<u>3,046,858</u>	<u>9,731,447</u>
Total assets	6,684,589	3,046,858	9,731,447
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 6,684,589</u>	<u>\$ 3,046,858</u>	<u>\$ 9,731,447</u>
Liabilities			
Due to other funds	\$ 1,000,000	\$ 0	\$ 1,000,000
Due to other governments	45,108	0	45,108
Accounts payable	108,826	0	108,826
Accrued salaries and benefits	285,201	0	285,201
Payroll deductions and withholding	263,035	0	263,035
Unearned revenue	6,991	0	6,991
	<u>1,709,161</u>	<u>0</u>	<u>1,709,161</u>
Total liabilities	1,709,161	0	1,709,161
Deferred Inflows of Resources			
Delinquent taxes receivable	711,399	0	711,399
	<u>711,399</u>	<u>0</u>	<u>711,399</u>
Total deferred inflows of resources	711,399	0	711,399
Fund Balance			
Nonspendable	32,134	0	32,134
Restricted	0	3,046,858	3,046,858
Committed	2,080,000	0	2,080,000
Unassigned	2,151,895	0	2,151,895
	<u>4,264,029</u>	<u>3,046,858</u>	<u>7,310,887</u>
Total fund balance	4,264,029	3,046,858	7,310,887
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,684,589</u>	<u>\$ 3,046,858</u>	<u>\$ 9,731,447</u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2023

Total fund balance – governmental funds \$7,310,887

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$11,186,405 and the accumulated depreciation is \$8,393,169. 2,793,236

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore, are recorded as deferred inflows of resources in the funds. 711,399

Right-of-use assets (leases) used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds. The present value of the right-of-use assets is \$24,934 and the accumulated amortization is \$11,948. 12,986

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated absences	\$ (103,962)	
Technology Center debt	(68,861)	
OPEB obligation	(1,277,000)	
Net pension liability	(8,225,000)	
Lease obligations	<u>(12,986)</u>	(9,687,809)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	\$1,408,603	
Deferred inflows related to pensions	(603,788)	
Deferred outflows related to OPEB	277,052	
Deferred inflows related to OPEB	<u>(270,000)</u>	<u>811,867</u>

Net position of governmental activities \$1,952,566

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Major Fund Capital Projects Fund	Total Governmental Funds
Revenues			
Local sources	\$ 4,287,664	\$ 70,357	\$ 4,358,021
State sources	2,929,258	0	2,929,258
Federal sources	<u>1,264,762</u>	<u>0</u>	<u>1,264,762</u>
Total revenues	<u>8,481,684</u>	<u>70,357</u>	<u>8,552,041</u>
Expenditures			
Instruction	4,116,264	0	4,116,264
Support services	2,700,403	79,226	2,779,629
Non-instructional services	146,712	0	146,712
Debt service (principal and interest)	44,488	0	44,488
Leases (principal and interest)	6,512	0	6,512
Refund of prior year receipts	<u>1,799</u>	<u>0</u>	<u>1,799</u>
Total expenditures	<u>7,016,178</u>	<u>79,226</u>	<u>7,095,404</u>
Excess of revenues over (under) expenditures	<u>1,465,506</u>	<u>(8,869)</u>	<u>1,456,637</u>
Other financing sources (uses)			
Interfund transfers	<u>(1,010,791)</u>	<u>1,007,644</u>	<u>(3,147)</u>
Total other financing sources (uses)	<u>(1,010,791)</u>	<u>1,007,644</u>	<u>(3,147)</u>
Net change in fund balance	454,715	998,775	1,453,490
Fund balance, beginning of year	<u>3,809,314</u>	<u>2,048,083</u>	<u>5,857,397</u>
Fund balance, end of year	<u>\$ 4,264,029</u>	<u>\$ 3,046,858</u>	<u>\$ 7,310,887</u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Total net change in fund balance – governmental funds	\$1,453,490
--	--------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$117,688	
Depreciation expense	<u>(219,562)</u>	(101,874)

While right-of-use assets (leases) are not reported in the governmental funds, these assets are reported in the governmental activities at their present value and amortized over the lease term. This amount represents current year amortization.	(6,234)
---	---------

Because some property taxes will not be collected for several months after the District’s year end, they are not considered as “available” revenues in the governmental funds. Deferred inflows of resources from tax revenues increased by this amount this year.	43,043
--	--------

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amount earned. The liability for compensated absences increased by this amount this year.	(4,037)
---	---------

Governmental funds report district pension contributions as expenditures in the year required to be made. However, pension expense, which is the change in net pension liability, adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

District pension contributions	\$963,055	
Pension expense	<u>(589,483)</u>	373,572

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Governmental funds report District payments for other post-employment benefits (OPEB) in the year such benefits are used. However, OPEB expense, which is the change in the net OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the statement of activities.

District OPEB benefit payments	\$51,052	
OPEB expense	<u>(92,618)</u>	(41,566)

The principal payments on long-term obligations consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position.

Principal payments - Technology Center debt	\$40,974	
Principal payments – Lease obligations	<u>6,234</u>	<u>47,208</u>

Change in net position of governmental activities		<u>\$1,763,602</u>
--	--	---------------------------

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Net Position
Proprietary Fund
June 30, 2023

	<u>Food Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 45,756
Due from other governments	2,406
Other receivables	1,567
Inventory	<u>9,076</u>
Total current assets	<u>58,805</u>
Noncurrent assets:	
Machinery and equipment, net	<u>74,928</u>
Total noncurrent assets	<u>74,928</u>
Total assets	<u>133,733</u>
Deferred Outflows of Resources	<u>0</u>
Total assets and deferred outflows of resources	<u><u>\$ 133,733</u></u>
Liabilities	
Current liabilities:	
Accrued salaries and benefits	\$ 5,619
Unearned revenue	18,276
Current portion of compensated absences	<u>175</u>
Total current liabilities	<u>24,070</u>
Noncurrent liabilities:	
Long-term portion of compensated absences	<u>325</u>
Total noncurrent liabilities	<u>325</u>
Total liabilities	<u>24,395</u>
Deferred Inflows of Resources	<u>0</u>
Net Position	
Invested in capital assets	74,928
Unrestricted	<u>34,410</u>
Total net position	<u>109,338</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 133,733</u></u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	<u>Food Service</u>
Operating revenues	
Food service revenue	\$ 86,270
Total operating revenues	<u>86,270</u>
Operating expenses	
Salaries	81,236
Employee benefits	75,019
Purchased property services	4,243
Other purchased services	1,245
Supplies	130,611
Depreciation	9,210
Dues and fees	<u>1,738</u>
Total operating expenses	<u>303,302</u>
Operating income (loss)	<u>(217,032)</u>
Nonoperating revenues (expenses)	
Earnings on investments	232
State sources	43,738
Federal sources	<u>150,550</u>
Total nonoperating revenues (expenses)	<u>194,520</u>
Income (loss) before contributions and transfers	(22,512)
Contributions and transfers	
Transfers in (out)	<u>3,147</u>
Total contributions and transfers	<u>3,147</u>
Change in net position	(19,365)
Total net position, beginning of year	<u>128,703</u>
Total net position, end of year	<u><u>\$ 109,338</u></u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	<u>Food Service</u>
Cash flows from operating activities	
Cash received from users	\$ 85,430
Cash payments to employees for services	(79,947)
Cash payments to suppliers for goods and services	<u>(212,410)</u>
Net cash provided by (used for) operating activities	<u>(206,927)</u>
Cash flows from non-capital financing activities	
State sources	43,772
Federal sources	151,084
Transfers in	<u>3,147</u>
Net cash provided by (used for) non-capital financing activities	<u>198,003</u>
Cash flows from investing activities	
Earnings on investments	<u>232</u>
Net cash provided by (used for) investing activities	<u>232</u>
Net increase (decrease) in cash and cash equivalents	(8,692)
Cash and cash equivalents, beginning of year	<u>54,448</u>
Cash and cash equivalents, end of year	<u><u>\$ 45,756</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (217,032)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	9,210
(Increase) decrease in accounts receivable	(453)
(Increase) decrease in inventories	2,235
Increase (decrease) in accounts payable	(1,789)
Increase (decrease) in accrued salaries/benefits	1,289
Increase (decrease) in unearned revenue	<u>(387)</u>
Total adjustments	<u>10,105</u>
Net cash provided by (used for) operating activities	<u><u>\$ (206,927)</u></u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 70,255
Total assets	70,255
Deferred Outflows of Resources	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 70,255</u>
Liabilities	
Due to other funds	\$ 630
Accounts payable	<u>6</u>
Total liabilities	<u>636</u>
Deferred Inflows of Resources	<u>0</u>
Net Position	
Restricted for student organizations	<u>69,619</u>
Total net position	<u>69,619</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 70,255</u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Fund</u>
Additions:	
Gifts and contributions	\$ 3,885
Interest income	485
Fundraising	<u>71,890</u>
Total additions	<u>76,260</u>
Deductions:	
Events and supplies	<u>72,031</u>
Total deductions	<u>72,031</u>
Change in net position	4,229
Net position, beginning of year	<u>65,390</u>
Net position, end of year	<u><u>\$ 69,619</u></u>

See accompanying notes to the basic financial statements.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

1. Description of School District and Reporting Entity

The Shanksville-Stonycreek School District is a Local Education Agency of the fourth class, governed by a nine-member publicly elected board, located in Somerset County, Pennsylvania. The District provides educational services to approximately 280 students from Shanksville Borough, Indian Lake Borough and Stonycreek Township. The District's facility is contained within one building. The District also participates in a local area vocational/technical school with various other districts.

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

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

2. Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of these accounting policies are described below.

A. Basis of Presentation

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

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 statement of net position presents the financial condition of the governmental and business-type activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type 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 goods and services offered by the program, 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. 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.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – Accounts for financial resources restricted for the acquisition, construction, renovation and deferred maintenance of major capital facilities or equipment, and for debt service.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the School District's major enterprise fund:

Food Service Fund – This fund accounts for the financial transactions related to the food service operation of the School District.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The custodial funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type. The School District's custodial fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2M, and deferred inflows/outflows of resources in Note 2N.

Revenues - Exchange and Non-Exchange Transactions

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

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Expenses/Expenditures

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

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

E. Budgetary Data

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:

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

The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

The Board of 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. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2023.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract or other form of commitment, an encumbrance is recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

F. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments consist of funds held by PLGIT in a fixed term investment portfolio (PLGIT Term). Similar to checking and savings accounts, PLGIT Term is not subject to fair value or the aforementioned fair value level disclosures.

Although included in cash and cash equivalents on the District's financial statements, the District also invests in pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). These funds represent investments held in 2a7-like pools. Portfolio securities are valued at amortized cost, which approximates market value. PLGIT and PSDLAF portfolios act like money market mutual funds, in that their objective is to maintain a stable net asset value of \$1.00 per share. The District reports these funds at the pool's share price. These funds are further discussed in Note 3.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid expense at June 30, 2023 consists of curriculum materials.

H. Inventory

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

Inventories in governmental funds are stated at cost by the first-in, first-out method and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as an expenditure when purchased; however, an estimated value of inventories (\$15,253) is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance which indicates they do not constitute "available spending resources" even though they are a component of net current assets.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities which are valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as unearned revenue.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

I. Capital Assets

General capital assets 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 used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of four thousand (\$4,000) dollars. 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 not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Site Improvements	15 - 20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	3 - 20 years

J. Leases

The District is a lessee for a noncancellable lease of office equipment. The District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the 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 District uses the interest rate charged by the lessor as the discount rate. When this rate is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.

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 the term of the lease.

K. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities (or fiduciary funds) are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are determined to be collectible, and no allowance has been established.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

M. Unearned Revenues

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

N. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred outflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred outflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

No deferred outflows of resources affect the fund financial statements in the current year.

Deferred Inflows of Resources

The District’s statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The deferred inflows of resources reported on the District’s statement of net position include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred inflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred inflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

In the District's governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$711,399).

O. Fund Balance Classification

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – amounts that are in nonspendable form (such as inventory or prepaid items) or are required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the School board or by an official or body to which the School Board delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2023, fund balance components, other than unassigned, consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>
General Fund:			
Inventory	\$ 15,253	\$ 0	\$ 0
Prepaid expenses	16,881	0	0
Future retirement costs	0	0	400,000
Technology replacement	0	0	230,000
Curriculum enhancement	0	0	200,000
Post-employment benefits	0	0	400,000
Future capital improvements	0	0	850,000
Capital Projects Fund	<u>0</u>	<u>3,046,858</u>	<u>0</u>
Total	<u>\$ 32,134</u>	<u>\$ 3,046,858</u>	<u>\$ 2,080,000</u>

The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the Business Manager and/or Superintendent as delegated by the School Board.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

P. Net Position

Net position represents the assets and deferred outflows of resources, net of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of net position reports \$3,046,858 of restricted net position, which is restricted by enabling legislation for Capital Projects.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Multi-Employer Benefit Plans

Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing, multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

Other Post-Employment Benefits (OPEB)

The Public School Employees Retirement System (PSERS) provides a health insurance premium assistance program, which is a governmental cost-sharing, multiple employer OPEB plan for all eligible District retirees who qualify and elect to participate. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net OPEB liability. The Standard further requires the District to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows and inflows of resources related to OPEB.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

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

3. Cash and Cash Equivalents and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

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

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

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments, including school districts, have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Code and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to school districts at this time.

The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include demand deposits at local financial institutions, in addition to cash on hand of \$300. The market values of deposits are equal to the cost of the deposits. Cash and cash equivalents further include pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF), further discussed below.

PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

PLGIT ensures that it will not place deposits with any single issuing institution if the largest participant's pro-rata share of such deposits exceeds insurance limits unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, PSDLAF funds and PLGIT "liquid portfolios" meet the requirements of investments held in 2a7-like pools, and accordingly, portfolio securities are valued at amortized cost, which approximates market value. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds, in that, their objective is to maintain a stable net asset value of \$1.00 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Investments in PSDLAF and certain PLGIT portfolios are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of principal or interest. However, other PLGIT portfolios, although liquid, impose penalties for withdrawals prior to initial holding periods of 30 days or for exceeding limits on the number of withdrawals per month. Another has a 7-day wait time, in the case of premature redemptions, in addition to a premature redemption penalty.

The District's investments as reported on the financial statements consist of funds held by PLGIT in a fixed term investment portfolio (PLGIT TERM).

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the District's deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2023, \$762,188 of the District's bank balance of \$1,262,188 was exposed to custodial risk as:

Uninsured and uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>762,188</u>
Total	<u><u>\$ 762,188</u></u>

Reconciliation to Financial Statements

Uninsured amount above	\$ 762,188
Add: Insured amount	500,000
Deposits in transit	121
Less: Outstanding checks	<u>(118,315)</u>
Carrying amount - bank balances	1,143,994
Plus: Petty cash	300
Deposits in investment pool considered cash equivalents	<u>5,329,915</u>
Total cash per financial statements	<u><u>\$ 6,474,209</u></u>

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Investments

As of June 30, 2023, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
PA School District Liquid Asset Fund	N/A	\$ 3,621,482
PA Local Government Investment Trust	N/A	1,708,433
PLGIT Term Investment Portfolio	6 months	<u>1,000,000</u>
Total		<u>\$ 6,329,915</u>

Interest Rate Risk

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

Credit Risk

State law limits investments to those authorized by State statutes. However, the District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Local Government Trust	AAAm
PA School District Liquid Asset Fund	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

Total investments above	\$ 6,329,915
Less: Deposits in investment pool considered cash equivalents	<u>(5,329,915)</u>
Total investments per financial statements	<u>\$ 1,000,000</u>

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Township of Stonycreek and the Boroughs of Indian Lake and Shanksville. The tax on real estate for public school purposes for fiscal 2023 was 37.04 mills (\$37.04 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations (\$94,814,912) of property are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 – September 30	- 2% Discount Period
October 1 – November 30	- Face Payment Period
December 1 - December 31	- 5% Penalty Period
January 15	- Lien Date

5. Taxes Receivable

The elected tax collectors are required to return any uncollected real estate taxes to the county's tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2023 is \$800,860. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance recorded as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2023:

Delinquent real estate	\$ 49,530
Interim real estate	83
Realty transfer tax	35,477
Earned income taxes	3,352
Occupation Taxes	<u>1,019</u>
Uncollected taxes recognized as revenue (received within 60 days)	89,461
Real estate tax-deferred inflow of resources	<u>711,399</u>
Total taxes receivable	<u><u>\$ 800,860</u></u>

6. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On the fund financial statements, general fund unearned revenue of \$6,991 represents unearned grants at June 30, 2023. Unearned revenue in the food service fund (\$18,276) represents unearned grants (\$11,343), credits on student cafeteria accounts (\$4,518), and donated commodities inventory on hand (\$2,415) at June 30, 2023.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

7. Due From Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2023, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Federal	\$ 336,866	\$ 2,334
State	193,088	72
Local	8,473	0
	<u>\$ 538,427</u>	<u>\$ 2,406</u>

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 24,792	\$ 0	\$ 0	\$ 24,792
Total capital assets, not being depreciated	<u>24,792</u>	<u>0</u>	<u>0</u>	<u>24,792</u>
Capital assets, being depreciated:				
Site improvements	847,969	0	0	847,969
Buildings and improvements	8,977,060	7,345	0	8,984,405
Furniture and equipment	<u>1,250,757</u>	<u>110,343</u>	<u>(31,861)</u>	<u>1,329,239</u>
Total capital assets, being depreciated	<u>11,075,786</u>	<u>117,688</u>	<u>(31,861)</u>	<u>11,161,613</u>
Less accumulated depreciation:				
Site improvements	842,610	397	0	843,007
Buildings and improvements	6,288,755	189,622	0	6,478,377
Furniture and equipment	<u>1,074,103</u>	<u>29,543</u>	<u>(31,861)</u>	<u>1,071,785</u>
Total accumulated depreciation	<u>8,205,468</u>	<u>219,562</u>	<u>(31,861)</u>	<u>8,393,169</u>
Total capital assets, being depreciated, net	<u>2,870,318</u>	<u>(101,874)</u>	<u>0</u>	<u>2,768,444</u>
Governmental activities capital assets, net	<u>\$ 2,895,110</u>	<u>\$ (101,874)</u>	<u>\$ 0</u>	<u>\$ 2,793,236</u>
Right-of-use assets	\$ 24,934	\$ 0	\$ 0	\$ 24,934
Less accumulated amortization	<u>5,714</u>	<u>6,234</u>	<u>0</u>	<u>11,948</u>
Governmental activities				
Right-of-use assets, net	<u>\$ 19,220</u>	<u>\$ (6,234)</u>	<u>\$ 0</u>	<u>\$ 12,986</u>

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

	Beginning Balance	Additions	Deductions	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Equipment	\$ 277,010	\$ 0	\$ 0	\$ 277,010
Total capital assets, being depreciated	<u>277,010</u>	<u>0</u>	<u>0</u>	<u>277,010</u>
Less accumulated depreciation:				
Equipment	<u>192,872</u>	<u>9,210</u>	<u>0</u>	<u>202,082</u>
Total accumulated depreciation	<u>192,872</u>	<u>9,210</u>	<u>0</u>	<u>202,082</u>
Business-type activities capital assets, net	<u>\$ 84,138</u>	<u>\$ (9,210)</u>	<u>\$ 0</u>	<u>\$ 74,928</u>

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

Governmental Activities:

Instruction	\$ 129,542
Instruction support	16,467
Administration and finance	28,543
Operation and maintenance of plant	22,834
Pupil transportation	17,565
Student activities	<u>4,611</u>
Total depreciation expense - governmental activities	<u>\$ 219,562</u>

Amortization expense of \$6,234 for right-of-use assets was charged to administration and finance.

9. Defined Benefit Pension Plan

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee's Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.psers.state.pa.us.

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011.

Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

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 who 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 by the Code) multiplied by the number of years of credited service. A member's 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 in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions:

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

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

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

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Members who joined PSERS after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Employer Contributions:

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District's contractually required contribution rate, 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. For the fiscal year ended June 30, 2023, the rate of the employer's contribution was 35.26 percent of covered payroll. The 35.26 percent rate is composed of a pension contribution rate of 34.31 percent for pension benefits, 0.75 percent for healthcare insurance premium assistance, and a 0.20 percent for the Act 5 defined contribution plan. Shanksville-Stonycreek School District's contributions to PSERS for the year ending June 30, 2023 were \$989,721. These contributions include \$5,614 to the defined contribution plan for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$8,225,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0185%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2021.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$589,483. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,000	\$ 71,000
Changes in assumptions	246,000	0
Net difference between projected and actual investment earnings	0	140,000
Changes in proportions	168,000	346,000
Difference between employer contributions and proportionate share of total contributions	27,548	46,788
Contributions subsequent to the measurement date	963,055	0
	<u>\$ 1,408,603</u>	<u>\$ 603,788</u>

\$963,055, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in the pension expense as follows:

Year Ended June 30:	
2024	\$ 21,001
2025	(26,999)
2026	(330,999)
2027	194,001
2028	(999)
Thereafter	(14,245)
	<u>\$ (158,240)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the PSERS' total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay
- The Investment Rate of Return was 7.00%.
- The inflation assumption was 2.75%.
- Salary growth at an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and 2021.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

The actuarial assumptions used in the June 30, 2022 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
	<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, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 10,638,000	\$ 8,225,000	\$ 6,190,000

Pension Plan Fiduciary Net Position

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

11. Post-employment Benefit Plans – PSERS Health Insurance Premium Assistance Program

Plan Description

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB), for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree; or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions

The school district's contractually required rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$21,052 for the year ended June 30, 2023.

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

At June 30, 2023 the District reported a liability of \$344,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0187%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$6,618. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,000	\$ 2,000
Changes in assumptions	38,000	81,000
Net difference between projected and actual investment earnings	1,000	0
Changes in proportions	17,000	27,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	21,052	0
	<u>\$ 80,052</u>	<u>\$ 110,000</u>

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

\$21,052 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2024	\$ (13,000)
2025	(11,000)
2026	(7,000)
2027	(9,000)
2028	(11,000)
Thereafter	<u>0</u>
	<u>\$ (51,000)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022 was determined by rolling forward PSERS' Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20-Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.0%</u> <u>100.0%</u>	0.5%

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, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	\$ 389,000	\$ 344,000	\$ 307,000

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees from the PSERS' system were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 PSERS members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the District's net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the District's net OPEB liability would be if the healthcare cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 344,000	\$ 344,000	\$ 344,000

OPEB Plan Fiduciary Net Position

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

12. Post-employment Benefit Plan – District Specific Plan

Plan Description

The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide continuation of medical (PPO) and pharmacy benefits to employees who retire from the District. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Eligibility

Age and service requirements for retirement vary by group as shown below. No benefits are provided upon termination of employment if retirement conditions are not met at termination. No benefits are provided to surviving dependents upon death if employee has not retired.

Teachers:	If hired on or before July 1, 2014, eligible for the District incentive upon retirement after attaining eligibility for PSERS retirement (superannuation or early retirement provisions), including at least 15 years with the Shanksville-Stonycreek School District. Otherwise, eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43.
-----------	---

**Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023**

Administrators:	Eligible for the District incentive upon retirement after attaining eligibility for PSERS retirement (superannuation or early retirement provisions), including at least 15 years with the Shanksville-Stonycreek School District. Otherwise, eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43.
Support Staff:	Eligible to purchase coverage upon retirement after completing 15 years of District service or meeting the requirements of Act 110/43.

Duration of Healthcare Benefits

Teachers:	Retiree coverage continues until age 65, death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier. Surviving spouses receive the remaining District incentive, if any.
Administrators:	Retiree coverage continues until age 65, or death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier. Surviving spouses receive the remaining District incentive, if any.
Support Staff:	Retiree coverage continues until age 65, or death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier.

Participant Contributions

Teachers:	Under the District incentive the retiree remits the PSERS premium assistance amount. The District provides an incentive amount of up to \$6,500 annually for up to 6 years. The retiree and spouse are responsible for any additional premium amounts. Under Act 110/43 the retiree and/or spouse pay the full premium amount.
Administrators:	Under the District incentive the retiree remits the PSERS premium assistance amount. The District provides an incentive amount of up to \$6,500 annually for up to 6 years. The retiree and spouse are responsible for any additional premium amounts. Under Act 110/43 the retiree and/or spouse pay the full premium amount.
Support Staff:	Retiree and/or spouse pay the full premium amount.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

The number of participants as of July 1, 2022, the effective date of the most recent full OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	District
Active employees	62
Retired employees	3
Spouses of retired employees	<u>0</u>
Total	<u>65</u>

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund.

Net OPEB Liability

The District's net OPEB liability of \$933,000 was measured as of June 30, 2022 and was rolled forward using actuarial assumptions to the valuation date of June 30, 2023.

Actuarial Assumptions and Other Inputs

- Discount Rate – 3.65% as of June 30, 2023.
- Healthcare Cost Trend Rates – 6.30% for 2024, decreasing to an ultimate rate of 3.70% by 2075.
- The discount rate was based on the Bond Buyer 20-year Bond GO Index at June 30, 2023.
- Mortality rates are assumed using the PubT-H 2010 Mortality Tables, adjusted to reflect Mortality Improvement Scale MP-2021 from 2010 base year and projected forward on a generational basis with Scale MP-2021.

Changes in the District's net OPEB liability for the plan for the fiscal year ended June 30, 2023 was as follows:

Balance at July 1, 2022	\$ 874,000
Service cost	49,000
Interest	30,000
Plan changes	0
Liability gains/losses	(38,000)
Changes in assumptions	48,000
Benefit payments	<u>(30,000)</u>
Net changes	<u>59,000</u>
Balance at June 30, 2023	<u><u>\$ 933,000</u></u>

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.65%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current discount rate.

	<u>1% Decrease</u> <u>2.65%</u>	<u>Current</u> <u>Rate</u> <u>3.65%</u>	<u>1% Increase</u> <u>4.65%</u>
District's net OPEB liability	\$ 994,000	\$ 933,000	\$ 877,000

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

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

	<u>1% Decrease</u>	<u>Current</u> <u>Rate</u>	<u>1% Increase</u>
District's net OPEB liability	\$ 870,000	\$ 933,000	\$ 1,006,000

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$86,000. At June 30, 2023, the District reported deferred outflows and inflows related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>Of Resources</u>	<u>Deferred Inflows</u> <u>Of Resources</u>
Difference between expected and actual experience	\$ 86,000	\$ 33,000
Changes in assumptions	111,000	127,000
	<u>\$ 197,000</u>	<u>\$ 160,000</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30:</u>	
2024	\$ 7,000
2025	7,000
2026	2,000
2027	18,000
2028	7,000
Thereafter	(4,000)
	<u>\$ 37,000</u>

Economic/demographic (gains)/losses and assumption changes are recognized over the average remaining service life for all active and inactive members.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

13. Long-Term Obligations

During the fiscal year ended June 30, 2023, general long-term obligations changed as follows:

	Lease Obligations	Other Long-term Financing	Compensated Absences	Total General Long-term Obligations
Beginning of year	\$ 19,220	\$ 109,835	\$ 100,350	\$ 229,405
Additions	0	0	0	0
Principal retirement	(6,234)	(40,974)	0	(47,208)
Changes in compensated absences	0	0	4,112	4,112
End of year	12,986	68,861	104,462	186,309
Less: Current portion	(6,234)	(28,716)	(13,112)	(48,062)
Long-term liabilities	<u>\$ 6,752</u>	<u>\$ 40,145</u>	<u>\$ 91,350</u>	<u>\$ 138,247</u>

Lease Obligations

The District entered into a lease agreement from August 2021 through July 2025 as a lessee for the use of copiers. The noncancellable lease term is 48 months. The initial lease obligation and right-of-use asset were recorded at the present value of the payments expected to be made during the lease term, using a discount rate of 2.25% representing the District's estimated incremental borrowing rate.

The value of the right-of-use assets as of June 30, 2023 was \$24,934 less accumulated amortization of \$11,948 and is disclosed with capital assets at Note 8.

Principal and interest requirements to maturity on the lease obligation as of June 30, 2023 are as follows:

Year Ended June 30	Principal	Interest	Total
2024	\$ 6,234	\$ 278	\$ 6,512
2025	6,234	278	6,512
2026	518	23	541
	<u>\$ 12,986</u>	<u>\$ 579</u>	<u>\$ 13,565</u>

Other Long-Term Financing: Somerset County Technology Center

Other long-term liabilities at June 30, 2023 include Shanksville-Stonycreek School District's estimated share of the Series of 2011 General Obligation Note, related to the area vocational-technical school, issued in the principal amount of \$4,825,000. The proceeds of the note were used to refinance the Series 2004 State Public School Building Authority Bonds. This debt service is shared by eight surrounding school districts including Shanksville-Stonycreek School District.

The Series of 2011 Note has a scheduled maturity of May 15, 2025. Interest is payable semi-annually on May 15th and November 15th, commencing on November 15, 2011.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Shanksville-Stonycreek School District's prorated share of the scheduled debt service payments fluctuates based on the estimated market value of the real estate within the District. The Commonwealth of Pennsylvania establishes the annual debt allocation rate. Because of the fluctuating nature of the allocation rate, no schedule of future debt payments is presented. However, the District did recognize an estimated current (\$28,716) and long-term (\$40,145) liability for their estimated share of the future debt service principal payments. These estimates are based on the District's 2022-2023 debt allocation rate of 10.12%. Accordingly, the Shanksville-Stonycreek School District's share of the balance outstanding at June 30, 2023 is \$68,861.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2023. The School District allows all employees to accumulate their unused sick leave. Upon retirement, employees shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Shanksville-Stonycreek School District at the rate of \$50 per day for professional staff up to a maximum of 120 days and \$15 per day for administrators and support staff up to a maximum of 100 days.

The School District has computed a total liability of \$104,462 at June 30, 2023 with \$103,962 reflected in the General Fund and \$500 reflected in the Food Service fund. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

Long-term financing agreements and lease obligations entered into for governmental activity purposes are liquidated by the general fund. Compensated absences liabilities for governmental activities will be paid by the general fund; whereas those related to business-type activities will be paid by the proprietary fund.

14. Interfund Transactions

The following is a summary of interfund receivables and payables at June 30, 2023:

	<u>Receivables</u>	<u>Payables</u>
General Fund (Major Fund)	\$ 630	\$ 0
Student Activities Fund (Fiduciary Fund)	0	630
General Fund (Major Fund)	0	1,000,000
Capital Projects Fund (Major Fund)	<u>1,000,000</u>	<u>0</u>
	<u>\$ 1,000,630</u>	<u>\$ 1,000,630</u>

The interfund balance between the General Fund and the Student Activities Fund represents an amount due for expenditures paid by General Fund. The interfund balance between the General Fund and the Capital Projects Fund represents surplus funds intended to fund future capital improvements.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

Interfund transactions during the year ended June 30, 2023 consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund (Major Fund)	\$ 0	\$ 1,007,644
Capital Projects Fund (Major Fund)	1,007,644	0
General Fund (Major Fund)	0	3,147
Enterprise Fund - Food Service (Major Fund)	<u>3,147</u>	<u>0</u>
Total	<u>\$ 1,010,791</u>	<u>\$ 1,010,791</u>

The School District typically transfers funds each year from the General Fund to the Capital Projects Fund to fund future capital improvements. Further, the General Fund transfers funds to Food Service to assist in subsidizing operating expenditures, as needed.

15. Contingent Liabilities

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

16. Self-Insurance - Medical Insurance

The School District is participating in the insurance consortium with the Bedford-Somerset Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the School's deposit into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by stop-loss insurance coverage. Shanksville-Stonycreek School District's liability at June 30, 2023, for unpaid claims incurred prior to fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2023, as the District recognizes medical claim expenses as claims are paid.

17. Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2023 and the two previous fiscal years, no settlements exceeded insurance coverage.

Shanksville-Stonycreek School District
Notes to Financial Statements
June 30, 2023

18. Related Party Transactions

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 8. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Shanksville-Stonycreek School District for the year ended June 30, 2023 for Appalachia Intermediate Unit 8 programs amounted to \$94,005. At June 30, 2023, the District had a balance due to Appalachia IU8 of \$19,910.

Jointly Governed Organization

The School District governs, with seven other school districts, the Somerset County Technology Center. Each district is represented on the Technology Center's school board. Students of the Shanksville-Stonycreek School District have available at the Technology Center courses and curriculums related to the technical training fields. The District's portion of tuition payments for its students attending the Technology Center for fiscal year 2023 amounted to \$249,593.

19. Economic Dependency

Shanksville-Stonycreek School District receives approximately 35% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

20. Nonmonetary Transactions

The District receives one of its federal program subsidies by means of noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2023 totaled \$21,508.

21. Change in Accounting Principle

For the year ended June 30, 2023, the District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The standard defines a SBITA as a contract that conveys control of the right to use another party's (vendor) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange transaction. It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability and requires note disclosures regarding SBITAs. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

Shanksville-Stonycreek School District
Required Supplementary Information – Pension Schedules
June 30, 2023

Schedule of Proportionate Share of the Net Pension Liability

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.0185%	0.0195%	0.0190%	0.0186%	0.0184%	0.0202%	0.0198%	0.0194%	0.0196%	0.0195%
District's proportionate share of net pension liability	\$ 8,225,000	\$ 8,006,000	\$ 9,355,000	\$ 8,702,000	\$ 8,833,000	\$ 9,976,000	\$ 9,812,000	\$ 8,403,000	\$ 7,758,000	\$ 7,983,000
District's covered-employee payroll*	\$ 2,754,197	\$ 2,781,656	\$ 2,670,055	\$ 2,570,882	\$ 2,478,198	\$ 2,683,689	\$ 2,568,132	\$ 2,497,935	\$ 2,504,981	\$ 2,506,790
District's proportionate share of net pension liability as percentage of its covered-employee payroll	298.64%	287.81%	350.37%	338.48%	356.43%	371.73%	382.07%	336.40%	309.70%	318.46%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2022 and prior).

Schedule of District Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 963,055	\$ 918,482	\$ 923,160	\$ 883,210	\$ 828,154	\$ 774,371	\$ 710,614	\$ 670,406	\$ 495,155	\$ 388,702
Contributions in relation to the contractually required contributions	<u>(963,055)</u>	<u>(918,482)</u>	<u>(923,160)</u>	<u>(883,210)</u>	<u>(828,154)</u>	<u>(774,371)</u>	<u>(710,614)</u>	<u>(670,406)</u>	<u>(495,155)</u>	<u>(388,702)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 2,806,923	\$ 2,754,197	\$ 2,781,656	\$ 2,670,055	\$ 2,570,882	\$ 2,478,198	\$ 2,683,689	\$ 2,568,132	\$ 2,497,935	\$ 2,504,981
Contributions as a percentage of covered-employee payroll	34.31%	33.35%	33.19%	33.08%	32.21%	31.25%	26.48%	26.10%	19.82%	15.52%

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Required Supplementary Information-OPEB Schedules
PSERS Health Insurance Premium Assistance Program
June 30, 2023

Schedule of Proportionate Share of the Net OPEB Liability

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	0.0187%	0.0196%	0.0190%	0.0186%	0.0184%	0.0202%	0.0198%
District's proportionate share of net OPEB liability	\$ 344,000	\$ 465,000	\$ 411,000	\$ 396,000	\$ 384,000	\$ 412,000	\$ 426,000
District's covered-employee payroll*	\$ 2,754,197	\$ 2,781,656	\$ 2,670,055	\$ 2,570,882	\$ 2,478,198	\$ 2,683,689	\$ 2,568,132
District's proportionate share of net OPEB liability as percentage of its covered-employee payroll	12.49%	16.72%	15.39%	15.40%	15.50%	15.35%	16.59%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

*The District's covered employee payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2022 and prior).

Schedule of District Contributions

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 21,052	\$ 21,618	\$ 22,590	\$ 22,239	\$ 21,085	\$ 20,250	\$ 20,199
Contributions in relation to the contractually required contributions	<u>(21,052)</u>	<u>(21,618)</u>	<u>(22,590)</u>	<u>(22,239)</u>	<u>(21,085)</u>	<u>(20,250)</u>	<u>(20,199)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 2,806,923	\$ 2,754,197	\$ 2,781,656	\$ 2,670,055	\$ 2,570,882	\$ 2,478,198	\$ 2,683,689
Contributions as a percentage of covered- employee payroll	0.75%	0.78%	0.81%	0.83%	0.82%	0.82%	0.82%

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Required Supplementary Information-OPEB Schedules
District Specific Plan
June 30, 2023

Schedule of Changes in District's OPEB liability:

	2023	2022	2021	2020	2019	2018
Service cost	\$ 49,000	\$ 47,000	\$ 32,000	\$ 31,000	\$ 35,000	\$ 34,000
Interest	30,000	20,000	17,000	25,000	28,000	28,000
Plan changes	0	0	0	0	18,000	0
Liability gains/losses	(38,000)	0	73,000	0	105,000	0
Changes of assumptions	48,000	(78,000)	55,000	67,000	(163,000)	(12,000)
Benefit payments	<u>(30,000)</u>	<u>(53,000)</u>	<u>(55,000)</u>	<u>(50,000)</u>	<u>(30,000)</u>	<u>(45,000)</u>
Net change in total OPEB liability	59,000	(64,000)	122,000	73,000	(7,000)	5,000
Total OPEB liability - beginning	<u>874,000</u>	<u>938,000</u>	<u>816,000</u>	<u>743,000</u>	<u>750,000</u>	<u>745,000</u>
Total OPEB liability - ending	<u><u>\$ 933,000</u></u>	<u><u>\$ 874,000</u></u>	<u><u>\$ 938,000</u></u>	<u><u>\$ 816,000</u></u>	<u><u>\$ 743,000</u></u>	<u><u>\$ 750,000</u></u>
Covered payroll	\$ 2,107,530	\$ 2,050,064	\$ 2,118,475	\$ 1,937,555	\$ 1,877,377	\$ 1,667,198
District net OPEB liability as a percentage of its covered-employee payroll	44.27%	42.63%	44.28%	42.11%	39.58%	44.99%

Note: This schedule is intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	(Budgetary Basis)	Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 3,942,642	\$ 3,942,642	\$ 4,287,664	\$ 345,022
State sources	2,787,288	2,787,288	2,929,258	141,970
Federal sources	<u>644,002</u>	<u>644,002</u>	<u>1,264,762</u>	<u>620,760</u>
Total revenues	<u>7,373,932</u>	<u>7,373,932</u>	<u>8,481,684</u>	<u>1,107,752</u>
Expenditures				
Instruction:				
Regular programs	2,919,749	3,244,078	3,208,221	35,857
Special programs	462,082	499,998	521,294	(21,296)
Vocational education programs	244,000	244,000	249,593	(5,593)
Other instructional programs	6,650	5,250	3,178	2,072
Higher education programs	0	0	1,214	(1,214)
Pre-kindergarten	131,052	130,349	132,764	(2,415)
Support services:				
Pupil personnel	154,247	151,887	152,129	(242)
Instructional staff	392,298	394,778	376,337	18,441
Administration	617,902	601,542	600,153	1,389
Pupil health	70,610	67,995	67,473	522
Business	251,648	240,561	239,344	1,217
Operation and maintenance of plant	719,760	862,130	807,386	54,744
Student transportation	381,200	369,400	455,202	(85,802)
Other support services	5,000	2,700	2,379	321
Operation of noninstructional services:				
Student activities	186,621	145,011	142,675	2,336
Community services	3,790	2,600	2,037	563
Scholarships and awards	0	0	2,000	(2,000)
Debt service (principal and interest)	58,000	56,800	44,488	12,312
Leases (principal and interest)	0	0	6,512	(6,512)
Refund of prior year receipts	<u>0</u>	<u>0</u>	<u>1,799</u>	<u>(1,799)</u>
Total expenditures	<u>6,604,609</u>	<u>7,019,079</u>	<u>7,016,178</u>	<u>2,901</u>
Excess (deficiency) of revenues over expenditures	<u>769,323</u>	<u>354,853</u>	<u>1,465,506</u>	<u>1,110,653</u>
Other financing sources (uses)				
Transfers out	(740,000)	(990,000)	(1,010,791)	(20,791)
Budgetary reserve	<u>(700,000)</u>	<u>(35,530)</u>	<u>0</u>	<u>35,530</u>
Total other financing sources (uses)	<u>(1,440,000)</u>	<u>(1,025,530)</u>	<u>(1,010,791)</u>	<u>14,739</u>
Net change in fund balance	(670,677)	(670,677)	454,715	1,125,392
Fund balance, beginning of year	<u>2,643,993</u>	<u>2,643,993</u>	<u>3,809,314</u>	<u>1,165,321</u>
Fund balance, end of year	<u>\$ 1,973,316</u>	<u>\$ 1,973,316</u>	<u>\$ 4,264,029</u>	<u>\$ 2,290,713</u>

See accompanying notes to basic financial statements.

Shanksville-Stonycreek School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2023
<u>U.S. DEPARTMENT OF EDUCATION</u>											
Small Rural School Achievement	D	84.358A	N/A	07/01/22-09/30/23	\$ 16,970	\$ 0	\$ 0	\$ 9,859	\$ 9,859	\$ 0	\$ 9,859
Passed through the Pennsylvania Department of Education:											
ECIA Title I	I	84.010	013-230381	07/01/22-09/30/23	108,072	108,072	0	108,072	108,072	0	0
ECIA Title II Part A	I	84.367	020-230381	07/01/22-09/30/23	12,588	12,588	0	12,588	12,588	0	0
ECIA Title IV	I	84.424	144-230381	07/01/22-09/30/23	10,016	6,671	0	10,016	10,016	0	3,345
Subtotal ECIA Programs passed through Pennsylvania Department of Education					130,676	127,331	0	130,676	130,676	0	3,345
Passed through the Pennsylvania Department of Education:											
Elementary and Secondary School Emergency Relief Fund (ESSER II)											
American Rescue Plan - ESSER III	I	84.425D	200-210381	03/13/20-09/30/23	551,794	410,637	(34,590)	445,227	445,227	0	0
American Rescue Plan - ESSER 7% Learning Loss	I	84.425U	223-210381	03/13/20-09/30/24	1,116,120	527,620	99,217	656,045	656,045	0	227,642
American Rescue Plan - ESSER 7% Summer Programs	I	84.425U	225-210381	03/13/20-09/30/24	61,963	57,456	33,798	16,667	16,667	0	(6,991)
American Rescue Plan - ESSER 7% After School Programs	I	84.425U	225-210381	03/13/20-09/30/24	12,393	11,492	11,717	0	0	0	225
Subtotal Education Stabilization Fund					1,754,663	1,018,696	116,457	1,123,341	1,123,341	0	221,102
Passed through Appalachia Intermediate Unit #8:											
IDEA Part B - Section 611	I	84.027	062-230008	07/01/22-09/30/23	78,534	0	0	78,534	78,534	0	78,534
American Rescue Plan - IDEA Part B	I	84.027X	062-220008	07/01/21-09/30/22	16,212	0	6,435	9,777	9,777	0	16,212
IDEA Part B - Section 619	I	84.173	131-220008	07/01/22-06/30/23	386	0	0	386	386	0	386
Subtotal Special Education Cluster					95,132	0	6,435	88,697	88,697	0	95,132
Total U.S. Department of Education					1,997,441	1,146,027	122,892	1,352,573	1,352,573	0	329,438
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>											
Passed through the Pennsylvania Department of Human Services:											
Medical Assistance Program - Reimbursement											
SBAP Administration Reimbursement	I	93.778	N/A	07/01/22-06/30/23	N/A	1,018	569	886	886	0	437
Total U. S. Department of Health and Human Services						1,018	569	886	886	0	437

See accompanying notes.

Shanksville-Stonycreek School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2023
<u>U.S. DEPARTMENT OF AGRICULTURE</u>											
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch - (USDA Donated Commodities)	I	10.555	N/A	07/01/22-06/30/23	N/A	(a) 21,508	(b) (4,079)	23,172	(c) 23,172	0	(d) (2,415)
Passed through the Pennsylvania Department of Education:											
National School Lunch	I	10.555	N/A	07/01/22-06/30/23	N/A	76,950	2,135	76,319	76,319	0	1,504
Supply Chain Assistance	I	10.555	N/A	12/29/22-06/30/24	N/A	16,978	0	5,635	5,635	0	(11,343)
Supply Chain Assistance	I	10.555	N/A	05/13/22-06/30/23	N/A	0	(10,249)	10,249	10,249	0	0
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	<u>35,022</u>	<u>1,305</u>	<u>34,547</u>	<u>34,547</u>	<u>0</u>	<u>830</u>
Subtotal Child Nutrition Cluster						150,458	(10,888)	149,922	149,922	0	(11,424)
Pandemic - EBT Local Admin Funds	I	10.649	N/A	10/01/21-09/30/22	N/A	628	0	628	628	0	0
State Matching Funds	S	N/A	N/A	07/01/22-06/30/23	N/A	<u>26,919</u>	<u>106</u>	<u>26,885</u>	<u>26,885</u>	<u>0</u>	<u>72</u>
Total U.S. Department of Agriculture						<u>178,005</u>	<u>(10,782)</u>	<u>177,435</u>	<u>177,435</u>	<u>0</u>	<u>(11,352)</u>
TOTAL FINANCIAL ASSISTANCE						<u>\$ 1,997,441</u>	<u>\$ 1,325,050</u>	<u>\$ 1,530,894</u>	<u>\$ 1,530,894</u>	<u>\$ 0</u>	<u>\$ 318,523</u>

See accompanying notes.

Shanksville-Stonycreek School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Shanksville-Stonycreek School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shanksville-Stonycreek School District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Shanksville-Stonycreek School District.

Note B – Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Shanksville-Stonycreek School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Donated Commodities

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District had food commodities totaling \$2,415 in inventory.

- (a) Total amount of commodities received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2022.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30, 2023.

Note D – Direct/Indirect Funding

The following source codes reflect program funding:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

Shanksville-Stonycreek School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2023

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note E – Reconciliation to Financial Statements

Total Federal Sources reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 1,264,762
Add: IDEA-B passed through, recorded as Local Sources	<u>88,697</u>
Total Federal Expenditures - Governmental Funds	<u>1,353,459</u>
Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	<u>150,550</u>
Total Federal Expenditures - Proprietary Fund	<u>150,550</u>
Total Federal Expenditures	<u><u>\$ 1,504,009</u></u>

Note F - Test of 40% Rule

Total Expenditures	\$ 1,530,894
Less: State Matching Funds Lunch Program and Severe Need Breakfast Program	<u>(26,885)</u>
Total Federal Expenditures	<u><u>\$ 1,504,009</u></u>
Education Stabilization Fund	<u>\$ 1,123,341</u>
Tested	<u>\$ 1,123,341</u>
	= 74.7%
Total Federal Expenditures	\$ 1,504,009

**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***

Independent Auditors' Report

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, Pennsylvania 15560-0128

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 Shanksville-Stonycreek School District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Shanksville-Stonycreek School District's basic financial statements, and have issued our report thereon dated January 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shanksville-Stonycreek 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Shanksville-Stonycreek 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

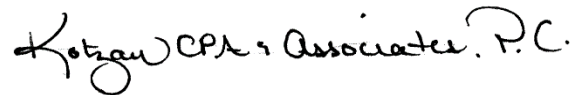
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shanksville-Stonycreek 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.

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is stylized with a large, cursive 'K'.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 8, 2024



**Report on Compliance for Each Major Federal Program and on
Internal Control Over Compliance Required by The Uniform Guidance**

Independent Auditors' Report

To the Members of the Board
Shanksville-Stonycreek School District
P.O. Box 128
1325 Cornerstone Road
Shanksville, Pennsylvania 15560-0128

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Shanksville-Stonycreek 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 Shanksville-Stonycreek School District's major federal programs for the year ended June 30, 2023. Shanksville-Stonycreek School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shanksville-Stonycreek 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shanksville-Stonycreek 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 Shanksville-Stonycreek 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 Shanksville-Stonycreek School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shanksville-Stonycreek 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 Shanksville-Stonycreek School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

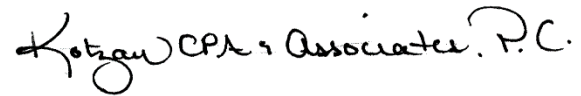
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
January 8, 2024

**Shanksville-Stonycreek School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency identified not
considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency identified not
considered to be material weakness(es)?

_____ Yes X None reported

Type of auditors' report issued on
compliance for major programs:

unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.425

Education Stabilization Fund

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II – Financial Statement Findings

No Findings

Section III – Federal Award Findings and Questioned Costs

No Findings or Questioned Costs