

STEELTON-HIGHSPIRE SCHOOL DISTRICT
STEELTON, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2023

STEELTON-HIGHSPIRE SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Steelton-Highspire School District
Steelton, Pennsylvania
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Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Steelton-Highspire School District (the "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 the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, of the override of internal control.



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Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 managements, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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 have identified during the audit.

Adoption of New Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2023 the District adopted the provisions of Governmental Accounting Standards Board's Statements No. 91, "*Conduit Debt Obligations*", Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", Statement No. 96, "*Subscription-Based IT Arrangements*", and certain provisions of Statement No.99, "*Omnibus 2022*". Our opinion is not modified with respect to these matters.

Recurring Losses and Management Difficulties

As discussed in Note 15 to the financial statements, the District has suffered recurring losses from operations and has a net capital deficiency. Management's evaluation of the events and conditions of management's plans to mitigate these matters are also described in Note 15. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance budget and actual – General Fund, schedule of changes in the total OPEB liability and related ratios – District's OPEB Plan, the schedule of the district's proportionate share of the net OPEB liability – PSERS plan, the schedule of the district OPEB contributions – PSERS plan, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions – pension plan on pages 4



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through 15 and pages 60 through 65 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 inquires 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 the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2025 on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
August 5, 2025

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

The discussion and analysis of Steelton-Highspire School District's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The District's governmental activities' liabilities and deferred inflows exceeded its assets and deferred outflows at the close of the fiscal year by \$(27,267,007) (net deficit); which includes an unrestricted deficit of \$(31,903,030).

As of June 30, 2023, the District's fund balance/(deficit) for the General Fund was \$(6,057,366). This negative fund balance is attributed to the current and prior years' deficits as well as the continued increase in delinquent taxes. The District is exploring areas in which expenditures can be decreased or eliminated, such as contracted services. Also, the District is increasing their efforts to collect upon all delinquent taxes.

Governmental activities net position decreased by \$717,253 and business-type activities net position increased \$259,251 for the year ended June 30, 2023.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position (deficit) and the statement of activities provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds' statements indicate how general District services were financed in the short-term, as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund.

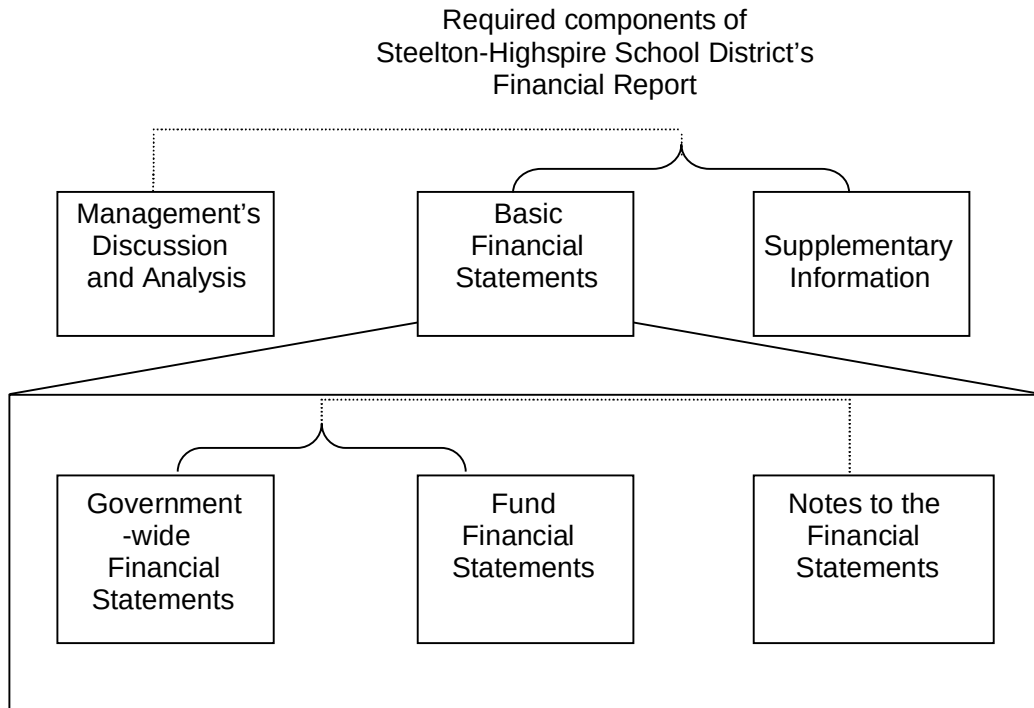
STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

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

The following diagram shows how the required parts of the financial report are arranged and relate to one another:



The following summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

Major Features of Steelton-Highspire School District's Government-wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as education, administration and community services	Activities the District operates similar to private business – Food Services
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
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
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 included	All assets and liabilities, both financial and capital, and 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

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. 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 two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows minus liabilities and deferred inflows, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities** – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund financial statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

Proprietary funds – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position (deficit) was \$(27,267,007) at June 30, 2023, and \$(26,549,754) at June 30, 2022 as restated, per the following schedule.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022*	2023	2022	2023	2022*
<u>Assets:</u>						
Current Assets	\$ 3,786,330	\$ 4,500,772	\$ 693,969	\$ 348,861	\$ 4,480,299	\$ 4,849,633
Capital and other noncurrent assets	19,970,411	21,268,814	-	1,272	19,970,411	21,270,086
Total Assets	<u>23,756,741</u>	<u>25,769,586</u>	<u>693,969</u>	<u>350,133</u>	<u>24,450,710</u>	<u>26,119,719</u>
<u>Deferred Outflows of Resources</u>	<u>6,536,533</u>	<u>5,950,663</u>	<u>-</u>	<u>-</u>	<u>6,536,533</u>	<u>5,950,663</u>
<u>Liabilities:</u>						
Current Liabilities	11,562,752	11,198,539	121,216	36,631	11,683,968	11,235,170
Long-Term Liabilities	43,800,873	41,549,658	-	-	43,800,873	41,549,658
Total Liabilities	<u>55,363,625</u>	<u>52,748,197</u>	<u>121,216</u>	<u>36,631</u>	<u>55,484,841</u>	<u>52,784,828</u>
<u>Deferred Inflows of Resources</u>	<u>2,196,656</u>	<u>5,521,806</u>	<u>-</u>	<u>-</u>	<u>2,196,656</u>	<u>5,521,806</u>
<u>Net Position:</u>						
Net Investments In Capital Assets	4,636,023	4,934,290	-	1,272	4,636,023	4,935,562
Unrestricted	(31,903,030)	(31,484,044)	572,753	312,230	(31,330,277)	(31,171,814)
Total Net Position (deficit)	<u>\$ (27,267,007)</u>	<u>\$ (26,549,754)</u>	<u>\$ 572,753</u>	<u>\$ 313,502</u>	<u>\$ (26,694,254)</u>	<u>\$ (26,236,252)</u>

* As restated

Governmental activities current assets decreased by approximately \$0.7 million dollars primarily due to the decrease in federal receivables of approximately \$0.5 million dollars and IDEA receivable of approximately \$0.3 million dollars.

Governmental activities long-term liabilities increased by approximately \$2.3 million dollars primarily due to the increase in net pension liability.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are deducted to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

The following takes the information from that statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022*	2023	2022	2023	2022*
Revenues:						
Program revenues:						
Charges for services	\$ 26,614	\$ 22,382	\$ 85,975	\$ 74,182	\$ 112,589	\$ 96,564
Operating Grants and contributions	13,414,859	13,949,682	1,098,281	984,466	14,513,140	14,934,148
Total Program revenues	<u>13,441,473</u>	<u>13,972,064</u>	<u>1,184,256</u>	<u>1,058,648</u>	<u>14,625,729</u>	<u>15,030,712</u>
General revenues and transfers:						
Property Taxes	6,094,816	5,501,138	-	-	6,094,816	5,501,138
Other taxes	1,955,136	1,984,105	-	-	1,955,136	1,984,105
Grants, subsidies, unrestricted	10,341,848	10,106,948	-	-	10,341,848	10,106,948
Investment/(loss) revenue, Interest	159,743	873,714	3,920	643	163,663	874,357
Other	<u>411,730</u>	<u>370,980</u>	<u>-</u>	<u>-</u>	<u>411,730</u>	<u>370,980</u>
Total Revenue	<u>32,404,746</u>	<u>32,808,949</u>	<u>1,188,176</u>	<u>1,059,291</u>	<u>33,592,922</u>	<u>33,868,240</u>
Expenses:						
Instructional services	22,273,848	20,141,613	-	-	22,273,848	20,141,613
Support services	6,434,309	6,699,119	-	-	6,434,309	6,699,119
Noninstructional services	4,413,842	4,600,941	-	-	4,413,842	4,600,941
Food service	-	-	928,925	584,017	928,925	584,017
Total Expense	<u>33,121,999</u>	<u>31,441,673</u>	<u>928,925</u>	<u>584,017</u>	<u>34,050,924</u>	<u>32,025,690</u>
Increase (decrease) in net position	<u>\$ (717,253)</u>	<u>\$ 1,367,276</u>	<u>\$ 259,251</u>	<u>\$ 475,274</u>	<u>\$ (458,002)</u>	<u>\$ 1,842,550</u>

* As restated

Governmental activities revenue decreased by approximately \$0.3 million dollars primarily due to the overall decrease in federal revenue during the year.

Governmental activities expenses increased by \$1.7 million dollars primarily due to the increased costs for students requiring special education services, payroll increases to keep the District employees competitive with surrounding districts, and the increased costs of goods and services.

Total expenses from business-type activities increased by \$0.4 million dollars from the prior year, due to the students full-time participating in the National School Lunch program and increased costs.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

The following presents the expenses of the governmental activities of the District as well as each program's net cost (total cost less revenues generated by the activities). The net costs are offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Governmental Activities
Fiscal Years Ended June 30, 2023 and 2022

Functions/programs	Total cost of services		Net cost of services	
	2023	2022*	2023	2022*
Instruction	\$ 22,273,848	\$ 20,141,613	\$ 10,374,509	\$ 8,018,901
Instructional Student Support	3,852,690	4,407,327	3,363,247	3,721,400
Administrative and Financial Support Services	2,581,619	2,291,792	2,321,350	2,050,750
Operation and Maintenance of Plant Services	1,927,659	1,656,551	1,733,320	1,482,321
Pupil Transportation	1,583,400	1,541,115	1,306,365	1,198,864
Student Activities	155,602	311,651	128,988	289,269
Community Services	24,281	14,734	24,281	14,734
Facilities and Improvements	31,333	232,656	31,333	232,656
Bond Issuance Costs	294,484	-	294,484	-
Interest and Fiscal Charges	397,083	844,234	102,649	460,714
Total governmental activities	<u>\$ 33,121,999</u>	<u>\$ 31,441,673</u>	19,680,526	17,469,609
Less unrestricted grants, subsidies			<u>10,341,848</u>	<u>10,106,948</u>
Total needs from local taxes and other revenues			<u>\$ 9,338,678</u>	<u>\$ 7,362,661</u>

* As restated

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

The following presents the activities of the food service program and the business-type activities of the District.

Business-Type Activities
Fiscal Years Ended June 30, 2023 and 2022

Functions/programs	Total cost of services		Net cost of services	
	2023	2022	2023	2022
Food services	\$ 85,975	\$ 584,017	\$(255,331)	\$ (474,631)
Less investment earnings and other			<u>(3,920)</u>	<u>(643)</u>
Total cost of (income from) business-type activities			<u>\$(259,251)</u>	<u>\$ (475,274)</u>

The statement of revenues, expenses, and changes in fund net position for the proprietary fund further details the actual results of operations.

THE DISTRICT FUNDS

The 2022-2023 General Fund original budget showed revenues exceeding expenditures resulting in an increase in the fund balance. For the year ended June 30, 2023, the expenditures and other financing uses exceeded revenues resulting in a net decrease in fund balance of \$1.9 million dollars. Total General Fund expenditures relating to support services exceeded the final budget by \$2.2 million dollars. This was due primarily to special education programs which continue to grow year-over-year.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2023, the District's governmental activities' gross capital assets were \$42,843,047. Capital assets include land, buildings and furniture and equipment. The following provides a breakdown of the capital assets and the accumulated depreciation for the fiscal years ended June 30, 2023 and 2022.

Governmental Activities - Capital Assets
Fiscal Years Ended June 30, 2023 and 2022

	2023	2022*
Land	\$ 20,000	\$ 20,000
Construction in progress	-	-
Land improvements	506,425	506,425
Building and improvements	40,154,933	40,195,903
Furniture and equipment	2,161,689	2,474,474
Total	42,843,047	43,196,802
Accumulated depreciation	(22,889,561)	(22,096,499)
	<u>\$ 19,953,486</u>	<u>\$ 21,100,303</u>

* As restated

A long-term capital project schedule and budget was developed to assure the District's facilities and equipment are maintained for both safety and long term cost savings.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

Debt administration

Outstanding Debt
Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Energy Savings Project Note	\$ 659,048	\$ 711,997
General Obligation Notes:		
Series of 2007	-	1,330,000
Series of 2006	-	7,060,000
General Obligation Bonds:		
Series of 2022	7,940,000	-
Series of 2019	3,205,000	3,445,000
Series of 2017	3,385,000	3,560,000
Series of 2013	-	305,000
Total	<u>\$ 15,189,048</u>	<u>\$ 16,411,997</u>

As of June 30, 2023, the District had total outstanding debt principal of \$15,189,048. During the year, the District issued General Obligation Bonds Series of 2022 to be used for refunding. The District made total payments against principal of \$10,102,949.

Other obligations include pension obligations, OPEB obligation, and accrued compensated absences (vacation pay, sick leave, personal days) for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Enrollment projections indicate that student enrollment will stabilize over the next few years.

Due to decreasing real estate assessed values and an aging population, our local tax revenue collection rates continues to decrease. The District continues to seek other areas in which to increase revenues such as the availability of additional grant funds from the state and federal governments, as well as other sources. The District is also tightly monitoring its expenditures to ensure it stays within its current budget.

The District continues to adopt ways of obtaining tax revenue. In 2022-2023 the District utilized Portnoff Law Services as well as the Cap Tax to Keystone Collection Services. These increased efforts positively brought in additional tax revenue in hopes of additional monies being received in upcoming years.

The District continues to have increased costs for Cyber/Charter enrollment despite the efforts to encourage students to enroll in its own Cyber program. Special Education costs also continue to rise, but State funding does not support the increase in costs. Many urban districts face similar challenges of rising costs in Cyber/Charter education and special education.

The District has begun to realize the savings in the installation of the Solar Panel Field. The savings have exceeded the original expectations.

The District continues to prioritize expenses while restricting the purchase of materials and services during the upcoming school year. The District continues to provide monthly cash flow and financial status reports to the office of Budget and Fiscal Management, as it remains under Financial Watch Status with the Pennsylvania Department of Education, through 06/30/23.

Many districts face the common problem of escalating costs for employee benefits, particularly the retirement expenses of PSERS. This cost is set by outside influences and, therefore, is not a discretionary cost that can be controlled by District management.

There continues to be various economic challenges post-pandemic, including the effects of rising inflation on goods, services and fuel, and labor shortages. State funding has not increased based on the current economic trends. Even though the District continues to be underfunded, the primary goal is to provide our students with an exemplary education within a safe environment.

STEELTON-HIGHSPIRE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED JUNE 30, 2023

The comparison of revenue and expenditure categories is as follows:

Original budgeted revenues

	Original 2023-2024		Original 2022-2023	
Local	\$ 7,814,221	23.6%	\$ 6,931,331	22.0%
State	23,175,478	70.0%	18,764,999	59.5%
Federal/other	2,090,329	6.3%	5,833,917	18.5%
Total	<u>\$ 33,080,028</u>		<u>\$ 31,530,247</u>	

Original Budgeted expenditures and other financial uses

	Original 2023-2024		Original 2022-2023	
Instruction	\$ 21,968,868	66.4%	\$ 20,739,235	66.3%
Support Services	8,350,554	25.1%	7,381,916	23.6%
Operation of noninstructional services	266,117	0.8%	241,283	0.8%
Other	2,494,489	7.5%	2,920,639	9.3%
	<u>\$ 33,080,028</u>		<u>\$ 31,283,073</u>	

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mark "JJ" Carnes, Business Manager, at Steelton-Highspire School District, 250 Reynders Avenue, Steelton, PA 17113, (717) 704-3800.

BASIC FINANCIAL STATEMENTS

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 1,365,341	\$ 737,270	\$ 2,102,611
Restricted Cash	41,401	-	41,401
Investments	36,298	-	36,298
Taxes Receivable, net	1,674,044	-	1,674,044
Due from Other Governments	523,820	-	523,820
Other Receivables	39,575	5,729	45,304
Internal Balances	71,822	(71,822)	-
Prepaid Expenses	34,029	-	34,029
Inventories	-	22,792	22,792
Total Current Assets	3,786,330	693,969	4,480,299
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land	20,000	-	20,000
Land and Site Improvements	256,770	-	256,770
Buildings and Building Improvements	19,160,019	-	19,160,019
Furniture, Equipment, and Vehicles	516,697	-	516,697
Total Capital Assets, Net	19,953,486	-	19,953,486
Bond Insurance Costs	16,925	-	16,925
Total Noncurrent Assets	19,970,411	-	19,970,411
TOTAL ASSETS	23,756,741	693,969	24,450,710
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Loss on Refunding	68,164	-	68,164
Deferred Amounts Related to Other Post Employment Benefits	492,980	-	492,980
Deferred Amounts Related to Pensions	5,975,389	-	5,975,389
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,536,533	-	6,536,533
<u>LIABILITIES</u>			
Current Liabilities:			
Cash Overdraft	69,806	-	69,806
Accounts Payable	5,737,033	91,261	5,828,294
Accrued Expenses	-	21,935	21,935
Accrued Salaries and Benefits	3,491,212	-	3,491,212
Accrued Interest Payable	168,535	-	168,535
Unearned Revenue	-	8,020	8,020
Due to Student Groups	47,132	-	47,132
Current Portion of Long-Term Debt	2,049,034	-	2,049,034
Total Current Liabilities	11,562,752	121,216	11,683,968
Noncurrent Liabilities:			
Bonds and Notes Payable, net	13,353,518	-	13,353,518
Other Postemployment Benefits Liability	2,186,240	-	2,186,240
Net Pension Liability	28,053,000	-	28,053,000
Compensated Absence Liability	208,115	-	208,115
Total Noncurrent Liabilities	43,800,873	-	43,800,873
TOTAL LIABILITIES	55,363,625	121,216	55,484,841
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Other Post Employment Benefits	1,023,656	-	1,023,656
Deferred Amounts Related to Pensions	1,173,000	-	1,173,000
TOTAL DEFERRED INFLOWS OF RESOURCES	2,196,656	-	2,196,656
<u>NET POSITION (DEFICIT)</u>			
Net Investment in Capital Assets	4,636,023	-	4,636,023
Unrestricted Net Position/(Deficit)	(31,903,030)	572,753	(31,330,277)
TOTAL NET POSITION (DEFICIT)	\$ (27,267,007)	\$ 572,753	\$ (26,694,254)

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Function/Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction	\$ 22,273,848	\$ -	\$ 11,899,339	\$ (10,374,509)	\$ -	\$ (10,374,509)
Instructional Student Support	3,852,690	-	489,443	(3,363,247)	-	(3,363,247)
Administrative and Financial Support Services	2,581,619	-	260,269	(2,321,350)	-	(2,321,350)
Operation and Maintenance of Plant Services	1,927,659	-	194,339	(1,733,320)	-	(1,733,320)
Pupil Transportation	1,583,400	-	277,035	(1,306,365)	-	(1,306,365)
Student Activities	155,602	26,614	-	(128,988)	-	(128,988)
Community Services	24,281	-	-	(24,281)	-	(24,281)
Facilities and Improvements	31,333	-	-	(31,333)	-	(31,333)
Bond Issuance Costs	294,484	-	-	(294,484)	-	(294,484)
Interest and Fiscal Charges	397,083	-	294,434	(102,649)	-	(102,649)
Total Governmental Activities	33,121,999	26,614	13,414,859	(19,680,526)	-	(19,680,526)
Business-type Activities:						
Food service	928,925	85,975	1,098,281	-	255,331	255,331
Total Business-type Activities	928,925	85,975	1,098,281	-	255,331	255,331
Total	<u>\$ 34,050,924</u>	<u>\$ 112,589</u>	<u>\$ 14,513,140</u>	<u>(19,680,526)</u>	<u>255,331</u>	<u>(19,425,195)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net				6,094,816	-	6,094,816
Public utility realty and earned income taxes, levied for general purposes, net				1,955,136	-	1,955,136
Unrestricted Grants, Subsidies, and Contributions				10,341,848	-	10,341,848
Investment (Loss) Income				159,743	3,920	163,663
Gain on Sale of Capital Assets				2,089	-	2,089
Miscellaneous Income				409,641	-	409,641
Total General Revenues				<u>18,963,273</u>	<u>3,920</u>	<u>18,967,193</u>
Changes in Net Position				(717,253)	259,251	(458,002)
Net Position - Beginning (Deficit), As Restated (Note 16)				<u>(26,549,754)</u>	<u>313,502</u>	<u>(26,236,252)</u>
Net Position - Ending (Deficit)				<u>\$ (27,267,007)</u>	<u>\$ 572,753</u>	<u>\$ (26,694,254)</u>

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL	DEBT SERVICE/ CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	\$ 1,365,341	\$ -	\$ 1,365,341
Restricted Cash	41,401	-	41,401
Investments	36,298	-	36,298
Taxes Receivable, net	1,674,044	-	1,674,044
Due From Other Governments	523,820	-	523,820
Due From Other Funds	992,990	-	992,990
Other Receivables	39,575	-	39,575
Prepaid Expenses	34,029	-	34,029
Total Assets	<u>\$ 4,707,498</u>	<u>\$ -</u>	<u>\$ 4,707,498</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Cash Overdraft	\$ -	\$ 69,806	\$ 69,806
Accounts Payable	5,704,789	32,244	5,737,033
Accrued Salaries and Benefits	3,491,212	-	3,491,212
Due to Other Funds	120,447	800,721	921,168
Due to Student Groups	47,132	-	47,132
Total Liabilities	<u>9,363,580</u>	<u>902,771</u>	<u>10,266,351</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Tax Revenue - Property Taxes	<u>1,401,284</u>	<u>-</u>	<u>1,401,284</u>
Total Deferred Inflows of Resources	<u>1,401,284</u>	<u>-</u>	<u>1,401,284</u>
FUND BALANCES (DEFICIT):			
Nonspendable:			
Prepaid Expenses	34,029	-	34,029
Unassigned (Deficit)	<u>(6,091,395)</u>	<u>(902,771)</u>	<u>(6,994,166)</u>
Total Fund Balances (Deficit)	<u>(6,057,366)</u>	<u>(902,771)</u>	<u>(6,960,137)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 4,707,498</u>	<u>\$ -</u>	<u>\$ 4,707,498</u>

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ (6,960,137)
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Amounts reported for governmental activities in the statement
of net position is 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 assets is \$42,843,047 and the accumulated depreciation is \$22,889,561	19,953,486
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The funds record only the tax revenue received through a period of 60 days subsequent to year end. The statement of net position includes a receivable for the District's anticipated collections on the levy	1,401,284
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Deferred inflows and outflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred Outflows	6,536,533
Deferred Inflows	(2,196,656)

Long-term liabilities, including bonds payable, 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:	
Bonds and Notes Payable, Net	(15,402,552)
Accrued Interest on Bonds and Notes	(168,535)
Bond Insurance Costs, Net	16,925
Compensated Absences	(208,115)
Net Pension Liability	(28,053,000)
Other Postemployment Benefits	(2,186,240)

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ (27,267,007)</u>
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See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	GENERAL	DEBT SERVICE/ CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local Sources	\$ 8,576,600	\$ 638	\$ 8,577,238
State Sources	17,920,821	-	17,920,821
Federal Sources	5,009,309	-	5,009,309
Total Revenues	31,506,730	638	31,507,368
EXPENDITURES:			
Instruction	21,409,195	-	21,409,195
Support Services	9,640,235	-	9,640,235
Operation of Noninstructional Services	173,310	-	173,310
Facilities Acquisition, Construction and Improvement Services	-	28,054	28,054
Debt Service			
Principal	-	10,025,979	10,025,979
Interest	-	378,705	378,705
Swap Termination Costs	-	434,390	434,390
Bond Issuance Costs	-	294,484	294,484
Total Expenditures	31,222,740	11,161,612	42,384,352
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	283,990	(11,160,974)	(10,876,984)
OTHER FINANCING SOURCES (USES):			
Bond Proceeds	-	8,880,000	8,880,000
Transfers In	-	1,974,684	1,974,684
Transfers Out	(1,974,684)	-	(1,974,684)
Bond Premium	-	278,874	278,874
Sale of Assets	-	2,089	2,089
Total Other Financing Sources (Uses)	(1,974,684)	11,135,647	9,160,963
NET CHANGE IN FUND BALANCES	(1,690,694)	(25,327)	(1,716,021)
FUND BALANCE (DEFICIT), BEGINNING	(4,366,672)	(877,444)	(5,244,116)
FUND BALANCE (DEFICIT), ENDING	\$ (6,057,366)	\$ (902,771)	\$ (6,960,137)

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	(1,716,021)
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Amounts reports 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 capital outlays exceeded depreciation and disposals in the current period

Capital Outlays	58,337
Depreciation	(1,332,022)

Revenues in the statement of activities that do not provide current financial resources are not reposted as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:

Property Taxes	750,868
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Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds

Bond principal payments	10,102,949
Issuance of Refunding Debt	(8,880,000)

Governmental funds report the effect of discounts and premiums, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities

Bond discount amortization	(11,442)
Deferred Loss amortization	9,880
Bond Premium amortization	43,349
Bond Premium	(278,874)
Amortization on Bond Insurance Costs	(24,718)

Change in accrued interest on bonds and notes payable	(112,417)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Decrease in compensated absences	(52,536)
Increase in other postemployment benefit expense	(675,053)
Termination of interest rate swap	578,811
Decrease in pension expense	821,636

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(717,253)
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See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 JUNE 30, 2023

	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 737,270
Due From Other Funds	2,170
Other Receivables	5,729
Inventories	<u>22,792</u>
Total Current Assets	<u>767,961</u>
TOTAL ASSETS	<u><u>\$ 767,961</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 91,261
Accrued Expenses	21,935
Unearned Revenues	8,020
Due to Other Funds	<u>73,992</u>
Total Current Liabilities	<u>195,208</u>
TOTAL LIABILITIES	<u>195,208</u>
NET POSITION:	
Unrestricted	<u>572,753</u>
Total Net Position	<u>572,753</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$ 767,961</u></u>

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2023

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 85,975
Total Operating Revenues	85,975
OPERATING EXPENSES:	
Purchased Professional and Technical Service	865,504
Food and Supplies Consumed	55,564
Equipment and Depreciation	1,272
Other Expenses	6,585
Total Operating Expenses	928,925
OPERATING (LOSS)/INCOME	(842,950)
NONOPERATING REVENUES:	
Earnings on Investments	3,920
State Sources	29,566
Federal Sources	1,068,715
Total Nonoperating Revenues	1,102,201
CHANGE IN NET POSITION	259,251
NET POSITION (DEFICIT), Beginning of year,	313,502
NET POSITION, End of year	\$ 572,753

See Notes to Financial Statements

STEELTON HIGHSPIRE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2023

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Users	\$ 79,592
Cash Payments to Suppliers for Goods and Services	(778,737)
Net Cash Used In Operating Activities	(699,145)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal Subsidies	1,131,409
State Subsidies	33,341
Net Cash Provided by Noncapital Financing Activities	1,164,750
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Earnings on Investments	3,920
NET INCREASE IN CASH AND CASH EQUIVALENTS	469,525
CASH AND CASH EQUIVALENTS, BEGINNING	267,745
CASH AND CASH EQUIVALENTS, ENDING	\$ 737,270
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Donated Commodities	\$ 54,564
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating (Loss)/Income	\$ (842,950)
Adjustment to reconcile operating (loss)/income to net cash used in operating activities:	
Depreciation	1,272
Donated commodities expense	55,564
Increase or Decrease in Assets and Liabilities	
Receivables	(3,559)
Inventories	3,998
Accounts Payable	87,409
Due From Other Funds	(2,170)
Due To Other funds	4,115
Unearned Revenue	(2,824)
Total Adjustments	143,805
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	\$ (699,145)

See Notes to Financial Statements

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Steelton-Highspire School District (the "District") provides public education to the residents of the Boroughs of Steelton and Highspire, with one elementary school and one high school in Dauphin County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine-member Board, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture- HACC

The Harrisburg Area Community College (HACC) provides two years of undergraduate education to students. Students residing in participating districts are required to only pay a third of tuition costs, with the district paying a third and the Commonwealth paying a third. For the year ended June 30, 2023, the district paid HACC a total of \$94,816. Complete financial statements for HACC can be obtained from its business office.

D. Intermediate Unit

The District is a participating member of the Capital Area Intermediate Unit (CAIU) located in Enola, Pennsylvania. The CAIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the School District are reported as a reduction of the related liability, rather than an expenditure.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Proprietary Funds

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

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

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Debt Service/Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds and to pay the District's debt service obligations.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

The fair value hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District did not have any investments that met these requirements. The District's investments were in external investment pools. The investments in external investment pools are valued at amortized cost, which approximates fair value, and are reported in accordance with GASB Statement No. 79.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds."

4. Inventories

The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. Food Service fund inventory consisted of expendable supplies valued at cost on a first-in, first-out basis, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated fair values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: \$2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	45 years
Land improvements	20 years
Furniture and equipment	20 years

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

7. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences using the termination method.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. 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 governmental funds' balance sheet and revenue is recognized.

10. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nondisposable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Fund Balance (Continued)

- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

11. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

11. Net Position (Continued)

- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

12. Accounting Estimates

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

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

14. Deferred Inflows/Outflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has four items that qualify for reporting in these categories: deferred outflows and inflows related to other postemployment benefits, deferred outflows and inflows related to pensions, deferred outflows from loss on refunding, and deferred inflows from unavailable tax revenue.

Deferred outflows for refundings are the result of differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows and inflows of resources related to pensions are described further in Note 10 and deferred outflows and inflows related to other postemployment benefits are described further in Note 11. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension/OPEB expense over a closed period, which reflects the weighted average remaining service life of all members beginning the year in

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

14. Deferred Inflows/Outflows of Resources (Continued)

which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

15. PSERS Pension and OPEB

For purposes of measuring net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public School Employee's 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 benefit terms. Investments are reported at fair value.

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 91, "*Conduit Debt Obligations*", Statement No. 94, "*Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*", Statement No. 96, "*Subscription-Based Information Technology Arrangements*", and certain provisions of Statement No. 99, "*Omnibus 2022*". The adoption of these statements had no effect on previously reported amounts

I. Pending Changes in Accounting Principles

The Governmental Accounting Standards Board has issued GASB Statement No. 99, "*Omnibus 2022*". The provisions relating to financial guarantees and the classification and reporting of derivative instruments are required to be adopted by the District for its fiscal year ending 2024 statements.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*". The District is required to adopt the provisions of Statement No. 100 for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The District is required to adopt the provisions of Statement No. 101 for its fiscal year 2025 financial statements.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Pending Changes in Accounting Principles (Continued)

In December 2023, the GASB issued Statement No. 102, "*Certain Risk Disclosures*". The District is required to adopt the provisions of Statement No. 102 for its fiscal year 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, "*Financial Reporting Model Improvements*". The District is required to adopt the provisions of Statement No. 103 for its fiscal year 2026 financial statements.

In October 2024, the GASB issued Statement No. 104, "Disclosure of Certain Capital Assets". The District is required to adopt the provisions of Statement No. 104 for its fiscal year 2026 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The District follows the following procedures in establishing its budget:

1. Prior to May 31, management submits to the District's Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget included proposed expenditures and the means of financing them for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments
3. Prior to June 30, the procedures require the budget to be legally enacted.
4. Legal budgetary control is maintained by the District's board at the department level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues or expenditures of any fund, must be approved by the District's board.
5. Budgetary information is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
6. Budgetary data is included in the District's management information system and is employed as a control device during the year.
7. Unused appropriations lapse at the end of the fiscal year.
8. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Custodial Credit Risk – For deposits, 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 deposits or collateral securities that are in the possession of an outside party. As of June 30, 2023, the District's cash balances for its governmental activities and business-type activities were \$2,074,206 (including the cash overdraft liability) and its bank balances were \$2,864,938. Of these bank balances, \$2,611,923 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. The District had no investments that were subject to custodial credit risk as of June 30, 2023.

Participation in External Investment Pools. The Pennsylvania Local Government Investment Trust (PLGIT) I-Class is a 2a7-like pool. The District's investment in PLGIT is reported at amortized cost, which approximates fair value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. There are no withdrawal restrictions and the pool is audited annually by Ernst & Young, LLP. The pool is rated AAA by Standard & Poor's. PLGIT issues separate financial statements available at www.plgit.com. At June 30, 2023, the District has \$36,298 invested in PLGIT.

NOTE 4: REAL ESTATE TAXES RECEIVABLE

Real estate taxes are assessed on July 1, of each year and become due and payable on that date. Taxpayers are given a two percent discount if they pay their taxes by August 31. All taxes levied on July 1, become delinquent on November 1, and are charged a ten percent penalty. On January 15, of the following year, all delinquent taxpayers are turned over for collection to Portnoff Collections. Uncollected real estate taxes attach as an enforceable lien on the property when recorded by Portnoff Collections in January. Delinquent real estate taxes receivable at June 30, 2023 were \$764,835.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year-end are reported as a deferred inflow of resources in the general fund. The District recorded an allowance for doubtful accounts for all taxes receivable (Real Estate, EIT, Occupational, etc.) of \$3,620,730.

NOTE 5: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2023, as related to the District's governmental activities:

Governmental Activities:

Commonwealth of Pennsylvania
State Sources

Total

\$	523,820
\$	523,820

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 6: CAPITAL ASSETS

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

<u>Governmental Activities:</u>	Balance July 1, 2022	Additions	Deletions	Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated:					
Land Improvements	506,425	-	-	-	506,425
Building and building improvements	40,195,903	-	(40,970)	-	40,154,933
Furniture and equipment	2,474,474	58,337	(371,122)	-	2,161,689
Total capital assets being depreciated	<u>43,176,802</u>	<u>58,337</u>	<u>(412,092)</u>	<u>-</u>	<u>42,823,047</u>
Less accumulated depreciation:					
Land Improvements	233,567	16,088	-	-	249,655
Building and building improvements	19,929,058	1,106,826	(40,970)	-	20,994,914
Furniture and equipment	1,807,006	209,108	(371,122)	-	1,644,992
Total accumulated depreciation	<u>21,969,631</u>	<u>1,332,022</u>	<u>(412,092)</u>	<u>-</u>	<u>22,889,561</u>
Total capital assets, being depreciated, net	<u>21,207,171</u>	<u>(1,273,685)</u>	<u>-</u>	<u>-</u>	<u>19,933,486</u>
Governmental activities, capital assets, net	<u>\$ 21,227,171</u>	<u>\$ (1,273,685)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,953,486</u>
Business-Type Activity:					
Capital assets being depreciated:					
Furniture and Equipment	\$ 493,852	\$ -	\$ -	\$ -	\$ 493,852
Less accumulated depreciation	<u>492,580</u>	<u>1,272</u>	<u>-</u>	<u>-</u>	<u>493,852</u>
Total capital assets being depreciated, net	<u>\$ 1,272</u>	<u>\$ (1,272)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Government Activities:	
Instruction	\$ 912,536
Instructional Student Support	158,214
Administrative and Financial Support Service	106,016
Operation and Maintenance of Plan Service	79,161
Pupil Transportation	65,024
Student Activities	6,390
Community Services	997
Facilities and Improvements	3,684
Total Depreciation Expense	<u>\$ 1,332,022</u>

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 7: LONG TERM OBLIGATIONS

As of June 30, 2023, the District's long-term debt consisted of the following:

	Beginning Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2023</u>	Amounts Due Within <u>One Year</u>
General Obligation Notes, Series of 2006	\$ 7,060,000	\$ -	\$ 7,060,000	\$ -	\$ -
General Obligation Notes, Series of 2007	1,330,000	-	1,330,000	-	-
General Obligation Bonds, Series of 2013	305,000	-	305,000	-	-
General Obligation Bonds, Series of 2017	3,560,000	-	175,000	3,385,000	220,000
General Obligation Bond , Series of 2019	3,445,000	-	240,000	3,205,000	245,000
General Obligation Bond, Series of 2022	-	8,880,000	940,000	7,940,000	1,530,000
Notes Payable, Energy Savings Project	<u>711,997</u>	<u>-</u>	<u>52,949</u>	<u>659,048</u>	<u>54,034</u>
Subtotal	16,411,997	8,880,000	10,102,949	15,189,048	2,049,034
Bond Premium	35,096	278,874	(43,349)	270,621	-
Bond Discount	(68,559)	-	11,442	(57,117)	-
Total Long Term Obligations	<u>\$ 16,378,534</u>	<u>\$ 9,158,874</u>	<u>\$ 10,071,042</u>	<u>\$ 15,402,552</u>	<u>\$ 2,049,034</u>

Pertinent information regarding long-term debt obligations outstanding is presented below:

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Annual Principal Installments ranging from</u>
General Obligation Notes, Series of 2006	\$ 13,500,000	\$ -	Variable *	2028	\$540,000 to \$1,290,000
General Obligation Notes, Series of 2007	\$ 3,500,000	\$ -	Variable *	2028	\$35,000 to \$240,000
General Obligation Bonds, Series of 2013	\$ 2,500,000	\$ -	.7% to 2.625%	2023	\$275,000 to \$305,000
General Obligation Bonds, Series of 2017	\$ 3,800,000	\$ 3,385,000	2% to 3.375%	2029	\$40,000 to \$1,740,000
General Obligation Bonds, Series of 2019	\$ 3,500,000	\$ 3,205,000	2% to 4.0%	2030	\$5,000 to \$1,605,000
General Obligation Bonds, Series of 2022	\$ 8,880,000	\$ 7,940,000	4.00%	2030	\$5,000 to \$1,535,000
Notes Payable, Energy Savings Project	\$ 763,887	\$ 659,048	2%	2034	\$51,889 to \$66,153

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 7: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2023, *assuming current interest rates remain the same*:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 2,049,034	\$ 500,699	\$ 2,549,733
2025	2,120,141	423,897	2,544,038
2026	2,176,270	347,282	2,523,552
2027	2,242,422	270,980	2,513,402
2028	2,308,595	192,029	2,500,624
2029-2033	4,226,434	144,856	4,371,290
2034	66,152	1,191	67,343
	<u>\$ 15,189,048</u>	<u>\$ 1,880,934</u>	<u>17,069,982</u>

In August 2022, the District issued the General Obligation Bonds Series of 2022 in the amount of \$8,880,000 to currently refund the General Obligation Note, Series 2006, currently refund the General Obligation Notes, Series of 2007, to pay costs to terminate the swap agreement related to the 2006 Note and 2007 Note, and to pay costs and expenses related to the Bonds. The Notes final maturity is February 2030, and carries an interest rate of 4.0%. The issuance of the debt in the amount of \$8,880,000 is recorded the Statement of Revenues, Expenditures, and Changes in Fund Balances. The refunding resulted in a decrease in debt service payments of \$190,267 and an economic loss of \$265,663.

NOTE 8: DERIVATIVE INSTRUMENT

Objective and terms the basis swap. On April 2007, the School District entered into an uncollateralized interest rate swap agreement for its General Obligation Note, Series of 2005 (there was a partial termination of the interest rate swap agreement during 2011 as a result of a bond refunding); its General Obligation Note, Series of 2006 and its General Obligation Note, Series of 2007 with one counterparty. The interest rate swap was effective on July 1, 2008 and will mature on February 1, 2028. The School District pays the Royal Bank of Canada ("the Counterparty") a fixed rate of interest at 4.15% on a notional amount of the outstanding debt. The swap counterparty pays interest on the same notional amount based on the USD-SIFMA Municipal Swap Index. Only the net difference would be exchanged with the counterparty.

In August 2022, the School District terminated the basis swap. In exchange for the parties agreeing to terminate all of their obligations under the Swap, the School District made a payment in the amount of \$434,390 to the counterparty, which was included in the issuance of the General Obligation Bonds, Series of 2022. The payment is recorded as an other financing use in the statement of revenues, expenditures, and changes in fund balances.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 9: COMPENSATED ABSENCES

The District's sick leave policy allows for an unlimited accumulation of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to the respective labor contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual.

The changes in the District's compensated absences in 2023 are summarized as follows:

	<u>Governmental Activities</u>
Balance, July 1, 2022	\$ 155,579
Additions/(Reductions)	<u>52,536</u>
Balance, June 30, 2023	<u>\$ 208,115</u>

Compensated absences are paid from the General Fund and Food Service Fund.

NOTE 10: PENSION BENEFITS

General Information about the Pension Plan

Plan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit 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 membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service credit that is equal to or greater than 97 with a minimum of 35 years of credited service. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll which includes .20% for the Act 5 defined contribution plan members, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,339,389 for the year ended June 30, 2023. The \$3,339,389 represents the District's contractual contributions in the PSERS plan and is recorded as an expense on the District's financial statements. Due to the financial difficulties the District is incurring, the District stopped making payments in December 2022. Going forward portions of the District's state retirement subsidy will be directly remitted to PSERS. The District's delinquent payments are being charged interest/penalty by PSERS. A corresponding liability for unpaid amounts is recorded on the District's financial statements.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rates are as follows:

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

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 10: PENSION BENEFITS (CONTINUED)

* This contribution rate is subject to a shared risk provision as follows:

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

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 \$28,053,000 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 System's 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 contributions as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.0631 percent, which was a increase of 0.0037 percent from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2023, the District recognized pension expense of \$2,489,000. 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
Net difference between projected and actual investment earnings	\$ -	\$ 476,000
Changes in assumptions	838,000	-
Changes in proportion	1,785,000	454,000
Difference between expected and actual experience	13,000	243,000
Contributions subsequent to the measurement date	3,339,389	-
Total	\$ 5,975,389	\$ 1,173,000

\$3,339,389 million 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 324,000
2025	779,000
2026	(304,000)
2027	664,000
Total	<u>\$ 1,463,000</u>

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's 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:

- Investment rate of return was 7.00%
- The inflation assumption was 2.50%
- Salary growth was an effective range of 4.50%, which was 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

Changes in Actuarial Assumptions

- The discount rate used to measure the Total Pension Liability decreased from 7.00% as of June 30, 2021 to 7.00% as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - o Salary growth rate – decreased from 5.00% to 4.50%
 - o Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - o Mortality rates- previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 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.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 10: PENSION BENEFITS (CONTINUED)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
Financing (LIBOR)	(11.0%)	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.

Sensitivity of the School District's proportionate share of the net pension liability to change in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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	\$ 36,285,000	\$ 28,053,000	\$21,113,000

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 10: PENSION BENEFITS (CONTINUED)

Pension plan fiduciary net position

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

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$2,215,576 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS

District Specific Plan

Plan Description

Plan Administration. The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Plan Membership. As of June 30, 2023, the Plan's membership consisted of the following:

Active Participants	176
Retired Participants	5
Total	<u>181</u>

Benefits Provided

Former Superintendent

The District offers coverage for the member, which includes health, dental and vision. Prior to Medicare age the district will provide full paid benefits for medical, prescription drug, dental, and vision for the member only. Upon reaching Medicare eligibility the member will no longer be covered under the School District's medical, prescription drug, dental and vision plans. However, the member will receive a stipend of \$2,400 a year from the District to used towards medical, prescription drug, dental, and vision coverage.

All Groups

The District offers coverage for medical, prescription drug, dental, and vision. If the member has at least at least 25 years of PSERS service and 15 years of service with the District, the member may continue coverage for up to four years by paying 25% of the premium for medical, prescription drug, dental, and vision coverage. After the four years, the member may continue by paying the full premiums. For those retiring with less than 15 years of service at the District, the member may continue by paying the full premiums. Spouses may continue paying the full premium. One grandfathered retiree receives coverage by paying 25% of the premium until they reach the Medicare age.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

District Specific Plan (Continued)

Contributions. 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 in paragraph 4 of 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. Retiree contribution rates and amount vary depending on classification and years of service with the District.

Total OPEB Liability

The District's total OPEB liability of \$1,017,240 was determined by an actuarial valuation date of July 1, 2022 and the total liability was rolled forward to the June 30, 2023 measurement date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.50% average, including inflation
Discount Rate	4.06%
Healthcare Cost Trend Rates	5.5% in 2020 through 2023. Rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later based on Society of Actuaries Long-Run Medical Cost Trend Model.

Total OPEB Liability

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.

Mortality rates are assumed using the rates assumed in the PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

50% of Teachers and Administrative and 25% of Support Staff are assumed to elect coverage. 20% of employees are assumed to be married and to have a spouse covered by the plan at retirement.

The actuarial assumptions used in the July 1, 2022 valuation were based on historical results, as a recent experience study was not completed.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Total OPEB Liability (Continued)

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

	<u>Total OPEB Liability</u>
Balance at 7/1/2021, Measurement date	\$ 684,683
Service Cost	63,455
Interest	16,769
Changes in benefit terms	688,827
Differences between expected and actual experience	(46,867)
Changes in Assumptions	(366,248)
Benefit Payments	<u>(23,379)</u>
Net Changes	<u>332,557</u>
Balance at 7/1/2022, Measurement date	<u><u>\$ 1,017,240</u></u>

Changes in assumptions reflect a change in the discount rate from 2.28% to 4.06%.

Changes in benefit terms. Upon reaching Medicare age the former Superintendent no longer receives coverage through the District's health care plans. The former Superintendent receives a stipend of \$2,400 toward post 65 medical, prescription drug, dental, and vision coverage. 25 years of PSERS service with at least 15 years of district service the member may purchase coverage by paying 25% of the premium for 4 years. After the 4 years the member must contribute the full premium for coverage.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's total OPEB liability	\$ 909,156	\$ 1,017,240	\$ 1,145,365

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.06%) or 1-percentage higher (5.06%) than the current discount rate:

	<u>1% Decrease 3.06%</u>	<u>Current discount rate 4.06%</u>	<u>1% Increase 5.06%</u>
District's total OPEB liability	\$ 1,096,773	\$ 1,017,240	\$ 942,709

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$720,741. At June 30, 2023, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 73,492	\$ 374,349
Benefits paid subsequent to the measurement date	44,914	-
Differences between expected and actual experience	-	321,307
	<u>\$ 118,406</u>	<u>\$ 695,656</u>

\$44,914 is reported as deferred outflows of resources related to OPEB resulting from District's benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Amounts, other than benefits paid subsequent to the measurement date, reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$ (48,310)
2025	(48,310)
2026	(48,310)
2027	(48,310)
2028	(48,310)
Thereafter	(380,614)
Total	<u>\$ (622,164)</u>

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2023 was 0.75% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$72,574 for the year ended June 30, 2023.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

At June 30, 2023, the District reported a liability of \$1,169,000 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 System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2023, the District's proportion was 0.0635 percent, which was an increase of 0.0039 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$73,000. 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
Net difference between projected and actual investment earnings	\$ 3,000	\$ -
Changes in assumptions	130,000	276,000
Changes in proportion	158,000	46,000
Difference between expected and actual experience	11,000	6,000
Contributions subsequent to the measurement date	72,574	-
Total	<u>\$ 374,574</u>	<u>\$ 328,000</u>

\$72,574 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	\$ 9,000
2025	8,000
2026	(8,000)
2027	(21,000)
2028	(14,000)
Thereafter	-
Total	<u>\$ (26,000)</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of the June 30, 2021 actuarial valuation to June 30, 2022 measurement date 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

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement 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:
 - o Eligible retirees will elect to participate pre age 65 at 50%.
 - o Eligible retirees will elect to participate post age 65 at 70%.

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: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale

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

Changes in Actuarial Assumptions

- The discount rate decreased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2021
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2022 actuarial valuation:
 - o Salary growth rate – decreased from 5.00% to 4.50%
 - o Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - o Mortality rates- previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females , adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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. 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 were:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	0.5%
	100.0%	

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 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates (Continued)

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease Between 4 – 6.00%	Current discount rate Between 5 – 7.00%	1% Increase Between 6 – 8.00%
District's proportionate share of the net OPEB liability	\$ 1,169,000	\$ 1,169,000	\$ 1,169,000

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

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

	1% Decrease 3.09%	Current discount rate 4.09%	1% Increase 5.09%
District's proportionate share of net OPEB liability	\$ 1,322,000	\$ 1,169,000	\$ 1,041,000

OPEB plan fiduciary net position.

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

At June 30, 2023 the District reported a payable of \$48,219 for the outstanding amount of contributions to the OPEB plan.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage. The District is a member of the Public School Health Insurance Cooperative Agreement (PSHIC) with other school districts in the insurance cooperatives. The plan is designed to use a modified self-funding approach, which would have a defined maximum liability but retain savings for low claim years. The PSHIC receives processes and pays medical claims as they become due within the benefit program of each member district. Management consists of a board of directors comprised of one appointed representative from each member district. Each member pays premiums, claim costs, claims administration costs, fees and all reasonable and necessary expenses due and payable to the cooperative for insurance services provided to each member. A 5% fee can be assessed to a member district that is late in paying the monthly contribution to PSHIC in addition to an 18% interest rate per annum. The District paid \$1,738,120 to PSHIC for the year ended June 30, 2023.

NOTE 13: CONTINGENT LIABILITIES

The District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the District.

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

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2023 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The District has entered into a contracted transportation service agreement with an external party to provide busing service for elementary and secondary pupils. This agreement does not meet the criteria of a lease under GASB 87 as the terms and conditions for payment specify a rate of reimbursement per mile calculated by the Commonwealth. Since the payments are variable based on the usage of the underlying asset, the District has not recorded a liability in the financial statements for this agreement in accordance with GASB 87. The District has also entered into a contract where they are entered into a supply contract for solar panels to provide energy. This is deemed as a supply contract and does not meet the criteria of GASB 87.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2023 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 992,990	\$ 120,447	\$ -	\$ 1,947,684
Capital Projects/Debt Service	-	800,721	1,974,684	-
Food Service Fund	2,170	73,992	-	-
Total	<u>\$ 995,160</u>	<u>\$ 995,160</u>	<u>\$ 1,974,684</u>	<u>\$ 1,947,684</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

Transfers from the General Fund are used to fund debt service expenditures of the Capital Projects/Debt Service Fund.

NOTE 15: FINANCIAL DIFFICULTIES/LOSSES

On March 15, 2013, the District was placed on the Pennsylvania Department of Education's (PDE) Financial Watch Status as a result of poor financial performance and other ratios that indicate that the District is struggling to maintain fiscal stability. The District remains under Financial Watch Status. The District continues to work closely with PDE's technical services to monitor cash flow and budget. In March 2025, the District was placed in recovery status, where a Chief Recovery Officer was appointed by PDE to help assist the School District with their recovery status. In subsequent years the District has taken out unfunded court approved debt (23/24) and a tax revenue anticipation note (24/25) in order to meet cash flow needs.

The District may be forced to eliminate certain educational services and decrease its professional staff in order to correct its poor financial situation. The likelihood that the District will have to curtail its educational offerings is increased by the fact that it has an unstable local tax base, as evidenced by its high rate of delinquent tax payments.

The District administration continues to work in partnership with PDE to address their financial concerns. PDE also indicated a willingness to assist the District to eliminate the deficit associated with the culmination of unpaid vendor invoices. PDE provided \$1,000,000 of empowerment funds in the 22/23 fiscal year to assist the District with the unpaid expenditures.

The General Fund had a fund deficit of \$(6,057,366), for the year ended June 30, 2023. The General Fund had a \$1,690,694 decrease in fund balance for the fiscal year 22-23. In 22-23, the decrease in the General Fund's fund balance was due to increased spending for Instruction and Support Services.

The District evaluated a number of strategies in order to reduce the fund balance deficit. The District hired Portnoff Law Services to collect delinquent real estate taxes and the District changed from Capital Tax to Keystone Collection Services to increase the collection of tax revenue. The District's vendor contracts for goods and services are reviewed annually by the District's solicitor and continue to be evaluated to ensure the best pricing models occur for the 2023-2024 school year. The District continues to

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 15: FINANCIAL DIFFICULTIES/LOSSES (CONTINUED)

prioritize expenses by restricting the purchase of materials and services during the upcoming school year.

NOTE 16: RESTATEMENT OF NET POSITION

The following restatement was made to remove the solar panel contract which does not meet the criteria for GASB 87 and is deemed a supply contract.

Governmental Activities :

7/1/22 Beginning Net Position /(Deficit)	\$ (26,564,028)
Removal of Right of Use Asset	(1,522,417)
Removal of Lease Liability	<u>1,536,691</u>
7/1/22 Restated Net Position	<u><u>\$ (26,549,754)</u></u>

NOTE 17: SUBSEQUENT EVENTS

In February 2024, the District issued General Obligation Bonds, Series of 2024, in the amount of \$8,865,000 for the payment of 2023 and 2024 budget deficits and current expenses in accordance with Court Order.

In March of 2025, the District was placed in recovery status by the Pennsylvania Department of Education (PDE), which will assist in providing additional support to address the financial challenges the District has incurred. The District was also appointed a Chief Recovery Officer by PDE.

In July 2025, the District issued Tax and Revenue Anticipation Notes, Series of 2025, in the amount of \$9,500,000. The proceeds will be used to provide cash to pay general expenses prior to the receipt of tax revenue and pay the costs of issuance of the Notes.

REQUIRED SUPPLEMENTAL INFORMATION

STEELTON HIGHSPIRE SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 6,931,331	\$ 6,931,331	\$ 8,576,600	\$ 1,645,269
State Sources	18,764,999	18,764,999	17,920,821	(844,178)
Federal Sources	5,833,917	5,833,917	5,009,309	(824,608)
Total Revenues	31,530,247	31,530,247	31,506,730	(23,517)
EXPENDITURES:				
Instruction:				
Regular Programs	11,494,970	11,494,970	12,119,145	(624,175)
Special Programs	7,529,347	7,529,347	7,023,545	505,802
Vocational Educational Programs	304,048	304,048	525,143	(221,095)
Other Instructional Programs	1,001,329	1,001,329	1,135,083	(133,754)
Nonpublic School Programs	28,434	28,434	52,776	(24,342)
Higher Education Programs for Secondary Students	-	-	94,816	(94,816)
Pre-Kindergarten Programs	381,107	381,107	458,687	(77,580)
Total Instruction	20,739,235	20,739,235	21,409,195	(669,960)
Support services:				
Pupil Personnel	1,123,529	1,123,529	1,407,955	(284,426)
Instructional Staff	325,920	325,920	954,973	(629,053)
Administration	1,296,385	1,296,385	1,723,667	(427,282)
Pupil Health	108,498	108,498	355,971	(247,473)
Business	625,934	625,934	763,603	(137,669)
Operation and Maintenance of Plant Services	2,017,075	2,017,075	1,857,209	159,866
Student Transportation Services	792,034	792,034	1,525,532	(733,498)
Central and Other Support Services	1,092,541	1,092,541	1,051,325	41,216
Total Support Services	7,381,916	7,381,916	9,640,235	(2,258,319)
Operation of Noninstructional Services:				
Student Activities	230,783	230,783	149,916	80,867
Community Services	10,500	10,500	23,394	(12,894)
Total Operation of Noninstructional Services	241,283	241,283	173,310	67,973
Facilities Acquisition, Construction and Improvement Services:				
Debt Service	2,346,419	2,346,419	-	2,346,419
Facilities Acquisition, Construction and Improvement Services	574,220	574,220	-	574,220
Total Expenditures	31,283,073	31,283,073	31,222,740	60,333
EXCESS OF REVENUES OVER EXPENDITURES	247,174	247,174	283,990	36,816
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(1,974,684)	(1,974,684)
Total Other Financing Sources/(Uses)	-	-	(1,974,684)	(1,974,684)
NET CHANGE IN FUND BALANCE	\$ 247,174	\$ 247,174	(1,690,694)	\$ (1,937,868)

STEELTON-HIGHSPIRE SCHOOL DISTRICT
DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service Cost	\$ 75,718	\$ 77,231	\$ 34,719	\$ 34,138	\$ 63,901	\$ 63,455
Interest	34,967	44,950	21,555	23,099	13,224	16,769
Changes of benefit terms	-	(404,235)	-	-	-	688,827
Differences between expected and actual experience	-	(300,884)	-	(87,022)	-	(46,867)
Changes of assumptions	19,959	1,557	(17,667)	73,776	(22,019)	(366,248)
Benefit payments, including refunds of employee contributions	(108,328)	(93,603)	(84,906)	(64,532)	(38,171)	(23,379)
Net change in total OPEB liability	22,316	(674,984)	(46,299)	(20,541)	16,935	332,557
Total OPEB liability - beginning	1,387,256	1,409,572	734,588	688,289	667,748	684,683
Total OPEB liability - ending	\$ 1,409,572	\$ 734,588	\$ 688,289	\$ 667,748	\$ 684,683	\$ 1,017,240
Covered payroll	\$ 7,099,748	\$ 7,503,375	\$ 7,503,375	\$ 7,923,577	\$ 7,923,577	\$ 8,996,279
Total OPEB liability as a percentage of covered payroll	19.9%	9.8%	9.2%	8.4%	8.6%	11.3%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Changes of Assumptions:

- In 2023, the discount rate changed from 2.28% to 4.06%
- In 2022, the discount rate changed from 1.86% to 2.28%.
- In 2021, the discount rate changed from 3.36% to 1.86%.
- In 2020, the discount rate changed from 2.98% to 3.36%.
- In 2019, the discount rate changed from 3.13% to 2.98% and trend assumption was updated.
- In 2018, the discount rate changed from 2.49% to 3.13%

Change in Benefits: In 2018, the \$8,000 reimbursement for open market coverage for Teachers is no longer offered.

In 2023, Upon reaching Medicare age the former Superintendent no longer receives coverage through the Districts health care plans.

The former Superintendent receives a stipend of \$2,400 toward post 65 medical, prescription drug, dental, and vision coverage.

25 years of PSERS service with at least 15 years of district service the member may purchase coverage by paying 25% of the premium for 4 years. After the 4 years the member must contribute the full premium for coverage.

STEELTON HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN - LAST 10 YEARS
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.0550%	0.0587%	0.0611%	0.0573%	0.0596%	0.0635%
District's proportionate share of the PSERS OPEB liability	\$ 1,121,000	\$ 1,224,000	\$ 1,300,000	\$ 1,238,000	\$ 1,412,000	\$ 1,169,000
District's covered payroll	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727	\$ 9,337,997
District's proportionate share of the PSERS OPEB liability as a percentage of its covered payroll	15%	16%	16%	15%	17%	13%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5%	6%	6%	6%	6%	7%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available

STEELTON HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS - PSERS PLAN - LAST 10 YEARS
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 61,000	\$ 60,700	\$ 66,000	\$ 65,900	\$ 67,200	\$ 72,800	\$ 72,574
Contributions in relation to the contractually required contribution	(61,000)	(60,700)	(66,000)	(65,900)	(67,200)	(72,800)	(27,587)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,987</u>
District's covered payroll	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727	\$ 9,337,997	\$ 9,682,514
Contributions as a percentage of covered payroll	1%	1%	1%	1%	1%	1%	1%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years for which information is available

The covered payroll amount has been revised to reflect adjustments processed by PSERS.

Change of assumptions:

In FY 2018, the discount rate changed from 3.13% to 2.98%

In FY 2019, the discount rate changed from 2.98% to 2.79%

In FY 2020, the discount rate changed from 2.79% to 2.66%.

In FY 2021 , the discount rate changed from 2.66% to 2.18%.

In FY 2022, the discount rate changes from 2.18% to 4.09%

STEELTON HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.0510%	0.0515%	0.0550%	0.0587%	0.0611%	0.0573%	0.0594%	0.0631%
District's proportionate share of the net pension liability	\$ 22,090,000	\$ 25,522,000	\$ 27,164,000	\$ 28,179,000	\$ 28,584,000	\$ 28,214,000	\$ 24,388,000	\$ 28,053,000
District's covered payroll	\$ 7,117,457	\$ 6,669,820	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727	\$ 9,337,997
District's proportionate share of the net pension liability as a percentage of its covered payroll	310%	383%	371%	369%	354%	351%	289%	300%
Plan fiduciary net position as a percentage of the total pension liability	54%	50%	52%	54%	56%	54%	64%	61%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years only for which information is available

STEELTON HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS - LAST 10 YEARS
REQUIRED SUPPLEMENTAL INFORMATION

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 1,317,000	\$ 1,638,000	\$ 2,104,000	\$ 2,324,500	\$ 2,594,000	\$ 2,624,860	\$ 2,761,689	\$ 3,182,753	\$ 3,339,389
Contributions in relation to the contractually required contribution	(1,318,000)	(1,615,000)	(2,104,000)	(2,324,500)	(2,594,000)	(2,624,860)	(2,761,689)	(3,182,753)	(1,226,378)
Contribution deficiency (excess)	<u>\$ (1,000)</u>	<u>\$ 23,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,113,011</u>
District's covered payroll	\$ 7,117,457	\$ 6,669,820	\$ 7,318,916	\$ 7,640,049	\$ 8,081,381	\$ 8,040,170	\$ 8,442,727	\$ 9,337,997	\$ 9,682,514
Contributions as a percentage of covered payroll	19%	24%	29%	30%	32%	33%	33%	34%	34%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years for which information is available

The covered payroll amount has been revised to reflect adjustments processed by PSERS.

**OTHER SUPPLEMENTAL INFORMATION
(SINGLE AUDIT)**

Steelton-Highspire School District
Schedule of Expenditures of Federal Awards
June 30, 2023

Federal grantor/ pass-through grantor/program title	Source code	Federal AL number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 01, 2022	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2023	Amounts paid to subrecipients
<u>U.S. Department of Education:</u>											
Passed through the Pennsylvania Department of Education:											
Program Improvement Grants to LEAs	I	84.010	042-200420	07/01/19-09/30/20	\$ 18,127	\$ 18,127	\$ -	\$ 18,127	\$ 18,127	\$ -	\$ -
Program Improvement Grants to LEAs	I	84.010	042-210420	07/01/20-09/30/21	265,272	265,272	-	265,272	265,272	-	-
Program Improvement Grants to LEAs	I	84.010	042-220420	07/01/21-09/30/22	222,420	222,420	18,127	204,293	204,293	-	-
Title I, Part A	I	84.010	013-220420	07/01/21-09/30/22	270,116	270,115	67,534	202,581	202,581	-	-
Title I, Part A	I	84.010	013-230420	07/01/22-09/30/23	935,703	935,703	-	935,703	935,703	-	-
Total Title I						1,711,637	85,661	1,625,976	1,625,976	-	-
Title II-A, Improving Teacher Quality	I	84.367	020-220420	07/01/21-09/30/22	9,856	9,856	5,927	3,929	3,929	-	-
Title II-A, Improving Teacher Quality	I	85.367	020-230420	07/01/22-09/30/23	58,244	58,244	-	58,244	58,244	-	-
Total Title II						68,100	5,927	62,173	62,173	-	-
Title IV, Part A - Student Support and Academic Enrichment Grant	I	84.424	144-220420	07/01/21-09/30/22	10,004	10,004	4,980	5,024	5,024	-	-
Title IV, Part A - Student Support and Academic Enrichment Grant	I	85.424	144-230420	07/01/22-09/30/23	73,517	73,517	-	73,517	73,517	-	-
Total Title IV						83,521	4,980	78,541	78,541	-	-
COVID 19 - Elementary and Secondary School Emergency Relief											
Fund III	I	84.425U	223-210420	03/13/20-09/30/22	7,423,836	3,104,513	395,214	2,709,299	2,709,299	-	-
COVID 19 - ARP ESSER 7%	I	84.425U	225-210420	03/13/21-09/30/24	202,324	202,324	7,493	194,831	194,831	-	-
COVID 19 - ARP ESSER 7%	I	84.425U	225-210420	03/13/21-09/30/24	40,464	40,464	1,499	38,965	38,965	-	-
COVID 19 - ARP ESSER 7%	I	84.425U	225-210420	03/13/21-09/30/24	40,465	40,465	1,499	38,966	38,966	-	-
COVID 19 - ARP ESSER - Homeless Assistance	I	84.425U	181-212418	07/01/21-03/31/22	40,000	33,187	33,187	-	-	-	-
COVID 19 - Governor's Emergency Education Relief	I	84.425C	253-200420	07/01/22-06/30/23	20,550	20,550	-	20,550	20,550	-	-
						3,441,503	438,892	3,002,611	3,002,611	*	-
Passed through the Berks County Intermediate Unit:											
COVID 19 - ARP ESSER - Homeless Assistance	I	84.425D	N/A	03/13/20-09/30/22	40,000	40,000	40,000	-	-	-	-
Total AL #84.425						3,481,503	478,892	3,002,611	3,002,611	-	-

Steelton-Highspire School District
Schedule of Expenditures of Federal Awards (Continued)
June 30, 2023

Federal grantor/ pass-through grantor/program title	Source code	Federal AL number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 01, 2022	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2023	Amounts paid to subrecipients
Special Education Cluster (IDEA):											
Passed through the Capital Area Intermediate Unit:											
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	H027A190093	07/01/21-09/30/22	\$ 271,265	\$ 186,967	\$ 186,967	\$ -	\$ -	\$ -	\$ -
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	62-150015	07/01/21-09/30/22	67,301	67,301	67,301	-	-	-	-
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	H027A220093	07/01/22-06/30/23	278,461	278,461	-	278,461	278,461	-	-
Individuals with Disabilities Education Act, Special Education-Grants to States, Part B	I	84.027	N/A	07/01/22-06/30/23	548,116	548,116	-	548,116	548,116	-	-
Total Special Education Cluster (IDEA)						1,080,845	254,268	826,577	826,577	-	-
Total U.S. Department of Education						6,425,606	829,728	5,595,878	5,595,878	-	-
<u>U.S. Department of Agriculture:</u>											
Child Nutrition Cluster:											
Passed through the Pennsylvania Department of Education:											
National School Lunch Program	I	10.555	362	07/01/20-06/30/21	770,792	770,792	83,545	687,247	687,247	-	-
National School Lunch Program - Supply Chain Assistance	I	10.555	356	07/01/22-06/30/23	42,426	42,426	-	42,426	42,426	-	-
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	274,670	274,670	34,714	239,956	239,956	-	-
Fresh Fruits & Vegetables	I	10.582	353	07/01/22-06/30/23	43,795	43,795	-	43,795	43,795	-	-
Pandemic EBT Administrative Costs	I	10.649	358	07/01/22-06/30/23	628	628	-	628	628	-	-
						1,132,311	118,259	1,014,052	1,014,052	-	-
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program - Donated Commodities	I	10.555	N/A	N/A	N/A	54,663	-	54,663	54,663	-	-
						54,663	-	54,663	54,663	-	-
Total Child Nutrition Cluster						1,186,974	118,259	1,068,715 *	1,068,715	-	-
Total US Department of Agriculture						1,186,974	118,259	1,068,715	1,068,715	-	-
Total federal awards						\$ 7,612,580	\$ 947,987	\$ 6,664,593	\$ 6,664,593	\$ -	\$ -

* - Denotes Major Program

STEELTON-HIGHSPIRE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE 1: REPORTING ENTITY

Steelton-Highspire School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1A to the District's basic financial statements. For purposes of preparing the schedule of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the modified accrual basis of accounting, which is described in Note 1E to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2023 threshold for determining Type A and Type B programs is \$750,000.

The following Type A programs were audited as major programs:

ALN 84.425 - Education Stabilization Fund
ALN 10.553/10.555/10.556/10.559/10.582 - Child Nutrition Cluster

The amount expended under the programs audited as major federal programs for the year ended June 30, 2023, totaled \$4,071,326 or 61.09% of total federal awards expended.

NOTE 4: MEDICAL ASSISTANCE

Access reimbursement received under AL #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



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**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 AUDITOR'S REPORT

Board of School Directors
Steelton-Highspire School District
Steelton, Pennsylvania
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We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Steelton-Highspire School District (the "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 and have issued our report thereon dated August 5, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.



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The District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
August 5, 2025



Zelenkofske Axelrod LLC

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Steelton-Highspire School District
Steelton, Pennsylvania
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Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Steelton-Highspire School District's (the "District") 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 the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2023.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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

We are required to be independent of the 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 the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.



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Matter Giving Rise to Qualified Opinion on the Education Stabilization Fund

As described in accompanying schedule of findings and questioned costs, the District did not comply with reporting requirements regarding, Assistance Listing No. 84.425 Education Stabilization Fund as described in finding number 2023-003 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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 agreement applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 GAAS, *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 the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.



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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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures over the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to



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the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
August 5, 2025

STEELTON-HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified that are 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? X yes no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
 yes X none reported

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

Education Stabilization Fund - Qualified
Child Nutrition Cluster - Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
10.553/10.555/10.556/ 10.559/10.582	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes X no

STEELTON-HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2023-001

Accounting Records/Account Reconciliations/Timeliness of Reporting

Criteria:	The accounts of the District should include all significant transactions in the period of benefit and the district should perform account reconciliations over significant balance sheet accounts. The District should also ensure all bank reconciliations and reports to be filed with granting agency are completed and filed in a timely manner.
Condition:	During the audit, certain audit adjustments were required to record additional payables/expenditures and receivables/revenues after the District's year-end close of the accounting records.
Cause:	Transactions were not recorded in the period of benefit and account reconciliations were not performed in a timely manner.
Effect:	The financial records did not reflect the correct financial activity of a period, which would result in a material misstatement of the financial statements. The finding was a repeat of findings 2018-001, 2019-001, 2020-001, 2021-001, and 2022-001 from the prior years.
Questioned Costs:	None.
Recommendation:	The District should ensure that internal control procedures over financial reporting are sufficient to identify and record all material adjustments. In addition, account reconciliation should be performed in a timely manner.
Management's Response:	The District agrees with the finding and has implemented procedures for the future to ensure all year-end entries are correctly posted to the period of benefit. In addition to implementing procedures the District has also made organizational changes in the Business office.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2023-002

Data Submitted to Actuary

Criteria:	Employee information submitted to the actuary for the District's pension and OPEB plan should be accurate and agree to source documentation.
Condition:	During our testing of the pension and OPEB census data, we noted that the wages (pension), birth dates (OPEB), and contributions (Pension) reported to PSERS and the actuary for 1 out of the 17 employees tested for OPEB and 9 out of the 21 employees tested for Pension, did not agree to the information reported to the actuary.
Cause:	Information submitted to the actuary was not reviewed for accuracy by the District prior to submission.
Effect:	The controls over the employee information submitted to the actuary are not functioning as designed and the result of the actuarial valuations may not be accurate.
Questioned Costs:	None.
Recommendation:	The District should ensure reported wages, birth dates, and employee contributions submitted to the actuary agree with the District's payroll ledgers.
Management's Response:	The District agrees with the finding and is ensuring all information submitted to PSERS and the actuary is reconciled to supporting documentation prior to submission.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-003

Reporting

Education Stabilization Fund – AL# 84.425 U.S. Department of
Education
Passed Through Pennsylvania Department of Education

Criteria: Pursuant to 2 CFR part 200, The District is required to file accurate reports with the Pennsylvania Department of Education, the granting agency.

Condition: It was noted for the 2022/2023 school year, the information reported on the reports filed with the granting agency could not be reconciled to the District's general ledger.

Cause: There was an oversight on the District's behalf.

Effect: The controls over reporting are not functioning as designed and the District is not in compliance with the reporting requirements of the program.

Questioned Costs: None.

Recommendation: The District should ensure that all required reports are prepared accurately and agree to the activity recorded on the District's general ledger.

Management's

Response: The District agrees with the finding and through education and training of staff, the District has implemented procedures to ensure that all required reports are prepared accurately and agree to the activity recorded on the District's general ledger.

STEELTON-HIGHSPIRE SCHOOL DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
Various	2018-001, 2019-001, 2020-001, 2021-001 and 2022- 001	Journal Entries/GL Reconciliations	See 2023-001