

**CONNELLSVILLE AREA SCHOOL DISTRICT**

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

**CONNELLSVILLE AREA  
SCHOOL DISTRICT**  
FAYETTE COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2023**

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**FAYETTE COUNTY, PENNSYLVANIA**  
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**FAYETTE COUNTY, PENNSYLVANIA**  
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# **Mark C. Turnley**

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**To the Management and Board of Education  
Connellsville Area School District  
Connellsville, Pennsylvania**

## **Independent Auditor's Report**

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Connellsville Area School District, Fayette County, Pennsylvania as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Connellsville Area School District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Connellsville Area School District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Connellsville Area School District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Connellsville Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Connellsville Area School District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

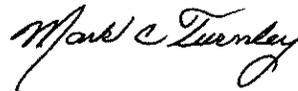
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv-xiv and the other required supplementary information on pages 47-55 be presented to supplement the basic financial statements. Such information is the responsibility 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Connellsville Area School District's basic financial statements. The accompanying supplementary information – the schedule of expenditures of federal awards on page 61 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 my 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*, I have also issued my report dated February 28, 2024, on my consideration of the Connellsville Area School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Connellsville Area School District's internal control over financial reporting and compliance.



Mark C. Turnley, CPA

February 28, 2024  
New Brighton, Pennsylvania

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**

**June 30, 2023**

The discussion and analysis of Connellsville Area School District's 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 notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

**MISSION STATEMENT**

Through the cooperative efforts of educators, parents, and community, the Connellsville Area School District shall provide a safe, well-maintained and challenging educational environment designed to meet the diverse needs of our school population in order to develop respectful, responsible, knowledgeable students inspired to become successful life-long learners in an ever-changing technological society.

**PRIMARY GOVERNMENTAL UNIT**

The Connellsville Area School District is the Primary Governmental Unit of the Connellsville Area Career and Technical Center, formerly known as the North Fayette Area Vocational Technical School. As of July 1, 2001, the Board of Education of the School District assumed sole responsibility for the operation of the Connellsville Area Career and Technical Center, making it a component unit of the Connellsville Area School District.

**FINANCIAL STATEMENTS**

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Connellsville Area School District. The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School District's overall financial status.

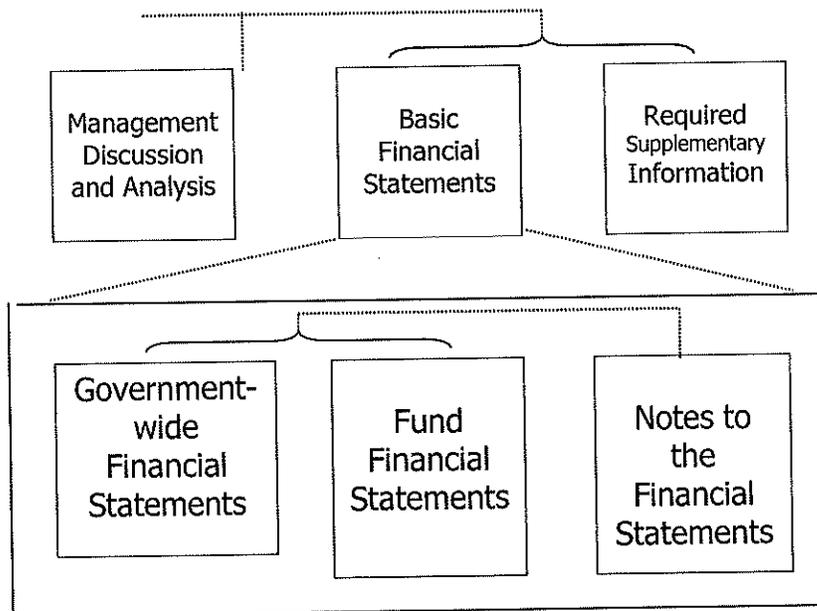
**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

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 tell in general how the District's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. The District accounts for food service as an enterprise fund. The Connellsville Area Career and Technical Center does not maintain an enterprise fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Connellsville Area School District's budget for the year.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1  
Required components of  
Connellsville Area School District's  
Financial Report



**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

Figure A-2 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 discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
 Major Features of Connellsville Area School District's  
 Government-wide and Fund Financial Statements  
 Fund Statements

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

## **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 and liabilities. 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 they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are 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 non-financial 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 and by bond requirements.

**Governmental funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which 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.

**Proprietary funds** – These funds are used to account for the District 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 provide more detail and additional information, such as cash flows.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

Fund Financial Statements (Continued)

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as student activity custodial funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was a deficit of \$87,512,575 at June 30, 2023.

Table A-1  
 Fiscal Years ended June 30, 2023 and June 30, 2022  
 Condensed Statement of Net Position

|                                                                | ----- JUNE 30, 2023 -----  |                             |                        | JUNE 30, 2022          |
|----------------------------------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
|                                                                | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                  | TOTAL                  |
| Current Assets                                                 | \$ 34,877,720              | \$ 1,401,313                | \$ 36,279,033          | \$ 33,610,917          |
| Capital Assets                                                 | 85,796,727                 | 45,911                      | 85,842,638             | 90,408,774             |
| Deferred Outflows of Resources                                 | 17,498,630                 | 578,743                     | 18,077,373             | 20,569,558             |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 138,173,077</b>      | <b>\$ 2,025,967</b>         | <b>\$ 140,199,044</b>  | <b>\$ 144,589,249</b>  |
| Current Liabilities                                            | \$ 15,475,241              | \$ 30,602                   | \$ 15,505,843          | \$ 17,020,410          |
| Long-term Liabilities                                          | 200,589,985                | 3,823,395                   | 204,413,380            | 204,222,555            |
| Deferred Inflows of Resources                                  | 7,574,873                  | 217,523                     | 7,792,396              | 19,507,975             |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>\$ 223,640,099</b>      | <b>\$ 4,071,520</b>         | <b>\$ 227,711,619</b>  | <b>\$ 240,750,940</b>  |
| Net Investment in                                              |                            |                             |                        |                        |
| Capital Assets (Deficit)                                       | \$ (5,208,030)             | \$ 45,911                   | \$ (5,162,119)         | \$ (4,820,533)         |
| Restricted                                                     | -                          | 184,352                     | 184,352                | -                      |
| Unrestricted (Deficit)                                         | (80,258,992)               | (2,275,816)                 | (82,534,808)           | (91,341,158)           |
| <b>TOTAL NET POSITION (Deficit)</b>                            | <b>\$ (85,467,022)</b>     | <b>\$ (2,045,553)</b>       | <b>\$ (87,512,575)</b> | <b>\$ (96,161,691)</b> |

The increase in current assets is primarily due to a combination of 1) an increase in cash and investments from \$18,795,979 at June 30, 2022 to \$28,063,419 at June 30, 2023, and 2) a decrease in due from other governments from \$11,432,970 at June 30, 2022 to \$5,103,002 at June 30, 2023, primarily from decreased COVID-19 federal grant funding (ESSER and American Rescue Plan funding). Governmental activities capital assets decreased mainly due to depreciation expense exceeding capital expenses net of dispositions by \$4,569,804 for governmental activities for the 2022-2023 fiscal year. The decrease in current liabilities is mainly the result of accrued salaries and benefits decreasing by \$905,084 due to one less pay period accrued in 2022-2023. Additionally, bonds, notes, and financed purchase agreements payable (current portion) decreased by \$643,718 from the 2021-2022 fiscal year. The change in deferred outflows of resources, long-term liabilities, and deferred inflows of resources is attributed to the updated valuation received from the Pennsylvania School Employees Retirement System (PSERS), in accordance with GASB Statement No. 68, 'Accounting and Financial Reporting for Pensions', and GASB Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits other than Pensions' (OPEB), including the District's updated independent valuation of its' OPEB obligation as of June 30, 2023. The District's total net pension liability increased from \$93,363,000 at June 30, 2022 to \$99,232,000 at June 30, 2023. The District's total net OPEB liability decreased from \$15,578,799 at June 30, 2022 to \$14,579,437 at June 30, 2023.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

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 represented 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 State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2  
 Fiscal Years ended June 30, 2023 and June 30, 2022  
 Changes in Net Position from Operating Results

|                                      | ----- JUNE 30, 2023 -----          |                                     |                      | JUNE 30, 2022        |
|--------------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|
|                                      | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> | <u>TOTAL</u>         | <u>TOTAL</u>         |
| <b>REVENUES</b>                      |                                    |                                     |                      |                      |
| <b>Program Revenues:</b>             |                                    |                                     |                      |                      |
| Charges for Services                 | \$ 3,493,384                       | \$ 186,838                          | \$ 3,680,222         | \$ 3,572,407         |
| Operating Grants and Contributions   | 29,861,852                         | 3,767,973                           | 33,629,825           | 40,434,191           |
| Capital Grants and Contributions     | 2,211,253                          | -                                   | 2,211,253            | 938,294              |
| <b>General Revenues:</b>             |                                    |                                     |                      |                      |
| Property, Other Taxes, PA Relief Tax | 20,757,364                         | -                                   | 20,757,364           | 20,457,127           |
| Grants, Subsidies and Contributions  | 33,469,499                         | -                                   | 33,469,499           | 31,403,825           |
| Investment Earnings                  | 559,414                            | 2,116                               | 561,530              | 23,529               |
| Miscellaneous                        | 623,477                            | 1,259                               | 624,736              | 383,155              |
| <b>TOTAL REVENUES</b>                | <b>\$ 90,976,243</b>               | <b>\$ 3,958,186</b>                 | <b>\$ 94,934,429</b> | <b>\$ 97,212,528</b> |
| <b>EXPENSES</b>                      |                                    |                                     |                      |                      |
| Instruction                          | \$ 53,141,846                      | \$ -                                | \$ 53,141,846        | \$ 49,731,086        |
| Instructional Student Support        | 5,057,839                          | -                                   | 5,057,839            | 4,622,657            |
| Administrative and Financial Support | 6,340,154                          | -                                   | 6,340,154            | 5,746,466            |
| Operation and Maintenance of Plant   | 7,889,947                          | -                                   | 7,889,947            | 7,154,731            |
| Pupil Transportation                 | 6,707,606                          | -                                   | 6,707,606            | 6,123,159            |
| Student Activities                   | 1,226,930                          | -                                   | 1,226,930            | 1,147,173            |
| Community Services                   | 23,753                             | -                                   | 23,753               | 41,894               |
| Interest on Long-term Debt/Refunds   | 2,465,919                          | -                                   | 2,465,919            | 2,890,388            |
| Food Services                        | -                                  | 3,431,319                           | 3,431,319            | 2,703,626            |
| <b>TOTAL EXPENSES</b>                | <b>\$ 82,853,994</b>               | <b>\$ 3,431,319</b>                 | <b>\$ 86,285,313</b> | <b>\$ 80,161,180</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ 8,122,249</b>                | <b>\$ 526,867</b>                   | <b>\$ 8,649,116</b>  | <b>\$ 17,051,348</b> |

The positive change in overall net position is related to 1) General Fund revenues and other financing sources exceeding expenses and other financing uses by \$3,147,248, and 2) the results of the updated actuarial valuations from PSERS for pension and OPEB benefits, and the District's independent valuation for OPEB benefits.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3  
 Fiscal Years ended June 30, 2023 and June 30, 2022  
 Net Cost of Governmental Activities

|                                      | ----- JUNE 30, 2023 ----- |                      | ----- JUNE 30, 2022 ----- |                      |
|--------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                                      | <u>TOTAL COST</u>         | <u>NET COST</u>      | <u>TOTAL COST</u>         | <u>NET COST</u>      |
|                                      | <u>OF SERVICE</u>         | <u>OF SERVICE</u>    | <u>OF SERVICE</u>         | <u>OF SERVICE</u>    |
| <b>EXPENSES</b>                      |                           |                      |                           |                      |
| Instruction                          | \$ 53,141,846             | \$ 27,579,114        | \$ 49,731,086             | \$ 16,927,030        |
| Instructional Student Support        | 5,057,839                 | 3,757,057            | 4,622,657                 | 3,619,895            |
| Administrative and Financial Support | 6,340,154                 | 5,547,546            | 5,746,466                 | 4,702,004            |
| Operation and Maintenance of Plant   | 7,889,947                 | 6,964,438            | 7,154,731                 | 6,131,903            |
| Pupil Transportation                 | 6,707,606                 | 2,225,488            | 6,123,159                 | 2,294,379            |
| Student Activities                   | 1,226,930                 | 950,196              | 1,147,173                 | 888,144              |
| Community Services                   | 23,753                    | 9,000                | 41,894                    | 9,000                |
| Interest on Long-term Debt/Refunds   | 2,465,919                 | 254,666              | 2,890,388                 | 1,952,094            |
| <b>TOTAL EXPENSES</b>                | <b>\$ 82,853,994</b>      | <b>\$ 47,287,505</b> | <b>\$ 77,457,554</b>      | <b>\$ 36,524,449</b> |
| <b>Less:</b>                         |                           |                      |                           |                      |
| Unrestricted Grants, Subsidies       |                           | <u>33,469,499</u>    |                           | <u>31,403,825</u>    |
| <b>TOTAL NEEDS FROM LOCAL TAXES</b>  |                           |                      |                           |                      |
| <b>AND OTHER REVENUES</b>            |                           | <b>\$ 13,818,006</b> |                           | <b>\$ 5,120,624</b>  |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-4 reflects the activities of the Food Service program, the only Business-type activities of the District.

Table A-4  
 Fiscal Years ended June 30, 2023 and June 30, 2022  
 Net Cost of Business-type Activities

|                                       | ----- JUNE 30, 2023 ----- |                        | ----- JUNE 30, 2022 ----- |                        |
|---------------------------------------|---------------------------|------------------------|---------------------------|------------------------|
|                                       | TOTAL COST<br>OF SERVICE  | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE  | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                       |                           |                        |                           |                        |
| Food Service                          | \$ 3,431,319              | \$ 523,492             | \$ 2,703,626              | \$ 1,308,161           |
|                                       | <u>\$ 3,431,319</u>       | <u>\$ 523,492</u>      | <u>\$ 2,703,626</u>       | <u>\$ 1,308,161</u>    |
| Investment earnings/Miscellaneous     |                           | 3,375                  |                           | 12,156                 |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> |                           |                        |                           |                        |
| <b>NET INCOME &lt;LOSS&gt;</b>        |                           | <u>\$ 526,867</u>      |                           | <u>\$ 1,320,317</u>    |

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

**THE DISTRICT FUNDS**

At June 30, 2023, the District governmental funds reported a combined fund balance of \$23,881,358, which is an increase of \$3,095,791 from June 30, 2022. The increase in fund balance was primarily due to General Fund revenues and other financing uses exceeding expenditures and other financing sources by \$3,147,248. Total revenues of the General Fund (excluding other financing sources) decreased \$2,676,222 (3.0%) from the prior fiscal year. Local revenues increased slightly by \$162,296 (.77%). State revenues increased \$4,270,630 (8.2%). The most significant increases to state revenues were basic education subsidy increasing by \$1,187,027, along with a "level up supplement" received totaling \$878,648. Rental, property relief, special education, and transportation subsidies also increased by \$1,272,959, \$358,287, \$232,138, and \$522,654 respectively. Federal revenues decreased \$7,109,148 (47.04%). This significant decrease in federal revenues is related to a decrease in COVID-19 related grants received by the District. Total expenditures of the General Fund (excluding other financing uses) increased by \$4,151,055 (5.9%) from the prior fiscal year.

A brief summary of each fund is as follows:

**Capital Project Fund:**

The Capital Project Fund's fund balance decreased by \$51,457 in 2022-2023. The net decrease was primarily due to capital expenses totaling \$780,667 offset by a transfer from the General Fund totaling \$679,906.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**THE DISTRICT FUNDS (Continued)**

**General Fund:**

The General Fund had an operational increase in fund balance of \$11,487,175 (prior to interfund transfers and insurance recoveries) in 2022-2023. The General Fund's fund balance at June 30, 2023, is \$22,525,369.

**General Fund Budget:**

During the fiscal year, the Board of Education authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The Board approved a budget for 2022-2023 with no real estate tax millage increase. Actual revenues, excluding other financing sources, (\$85,646,216) were over budgeted revenues (\$84,796,207) by \$850,009. Actual local revenues were over budget slightly by \$97,704 (.46%). Actual state subsidy revenues were over budget by \$3,566,062 (6.7%), primarily due to basic education subsidy exceeding budget by \$1,187,034, along with an unbudgeted "level up supplement" received totaling \$878,648. Special Education, Transportation, and Rental subsidies were over budget \$281,447, \$490,138, and \$1,000,072 respectively. Social security and Retirement subsidies were under budget by \$253,505 and \$104,666 respectively. Federal subsidies came in under budget by \$2,813,757 (26.0%) primarily due to COVID-19 related grants received by the District being under budget by approximately \$2,458,358.

Actual expenditures, excluding other financing uses, (\$74,159,041) were slightly under budgeted expenditures (\$74,375,326) by \$216,285 (.29%). There were various functional areas that were under budget as reflected on page 7 of the audit report. The three notable areas where the District was under budget were for 'regular programs', 'vocational programs', and 'instructional staff services' which were under budget by \$1,152,974, \$206,986, and \$922,175 respectively.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS:**

At June 30, 2023, the District had \$85,842,638 invested in a broad range of capital assets, including land, site improvements, buildings and furniture and equipment (net of depreciation). This amount includes \$51,672,160 of expenses incurred during the 2007-2008 through 2014-2015 years for renovations to the District and Connellsville Area Career and Technical Center. The overall investment in fixed assets represents a net decrease (including additions, deletions and depreciation) of \$4,566,136, or 5.05% from last year. Depreciation expense for 2022-2023 amounted to \$5,762,021 (\$5,756,972 for governmental funds and \$5,049 for business-type activities).

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**CAPITAL ASSETS: (Continued)**

A comparative summary of the District's investment in fixed assets is as follows:

|                            | ----- JUNE 30, 2023 -----  |                             | JUNE 30, 2022        |                      |
|----------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                            | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                | TOTAL                |
| Land                       | \$ 259,084                 | \$ -                        | \$ 259,084           | \$ 259,084           |
| Site Improvements          | 685,913                    | -                           | 685,913              | 776,729              |
| Buildings and Improvements | 82,335,269                 | -                           | 82,335,269           | 86,678,005           |
| Furniture and Equipment    | 2,516,461                  | 45,911                      | 2,562,372            | 2,694,956            |
| <b>TOTAL</b>               | <b>\$ 85,796,727</b>       | <b>\$ 45,911</b>            | <b>\$ 85,842,638</b> | <b>\$ 90,408,774</b> |

**DEBT ADMINISTRATION:**

As of July 1, 2022, the District had total outstanding bond, note, and lease principal of \$97,257,080. During 2022-2023 the District made payments against principal totaling \$5,693,905 resulting in ending outstanding debt of \$91,563,175 as of June 30, 2023. The District is scheduled to make principal and interest payments totaling \$5,313,053 during the 2023-2024 fiscal year.

The District's general obligation bond and note insured bond rating by Standard & Poor's Ratings Services Group is "AA" (Stable Outlook) with an underlying rating of "A-/Stable".

Other obligations include long-term portion of compensated absences amounting to \$2,911,417 for specific employees of the District, a net OPEB liability of \$14,579,437, and a net pension liability of \$99,232,000 as more detailed in the notes to the financial statements.

**MAJOR FINANCIAL NEWS**

The Connellsville Area School District was able to sustain the sound fiscal position that was achieved in the prior three budget years by reducing actual costs to the deficit budget and recognized General Fund excess revenues over expenditures for the 2022-2023 fiscal year of \$3,147,248. It is the goal of the District to succeed both financially and academically. The largest increase in revenues were from state sources and federal funds from ESSER Funds relating to COVID relief.

The District does not expect significant growth in the near future given the residential nature of the local economy. Most of the industry is located in and around Connellsville with farming and recreational opportunities such as hiking, biking, white water rafting and skiing confined to portions of the District. There does not appear to be any significant growth in area industries including glass, closures (lids), bituminous coal, metal working machinery, wood products and service-related industries. During the fiscal year 2020-2021, the District was awarded COVID related funding from the Elementary and Secondary School Emergency Relief Fund (ESSER Fund and ESSER II Fund) from the Department of Education and Pennsylvania Commission on Crime and Delinquency totaling \$9,572,824. In addition, the District was awarded \$249,268 in Continuity of Education Equity GEER Grant Funding, and \$48,063 in Special Education COVID-19 Impact Mitigation Funding (SECIM). During the fiscal year 2021-2022 fiscal year, the District was awarded additional COVID related funding from ARP ESSER in the amount of \$15,304,069 and additional ARP ESSER set asides of \$1,382,878.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
*Management's Discussion and Analysis (MD&A)*

**MAJOR FINANCIAL NEWS (Continued)**

The expenditure budget for the 2023-2024 year is \$1,465,889 higher than the final budget for 2022-2023. This was due mainly to increases in costs associated with the District's support services of \$1,843,401 and special program instruction of approximately \$871,121. The Board of Education approved the budget, including a tax increase of .8406 mills, with a millage rate of 15.0887. This budget was adopted with a deficit of \$2,440,618. With the budget for the 2023-2024 school year the district is in the final year of expending COVID Funds. Several COVID related grants have been expended in prior school years, leaving less money in the budget for these expenses. While the budget was a deficit budget, when the state passed their budget it contained a significant increase in the basic education funding. This should lessen the amount of a potential deficit.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

This 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 of Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office at Connellsville Area School District, 732 Rockridge Road, Connellsville, PA 15425-0861.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

|                                                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|---------------------------------------------------------------------------|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                                                             |                            |                             |                        |
| <b>Current Assets:</b>                                                    |                            |                             |                        |
| Cash and Cash Equivalents                                                 | \$ 19,912,262              | \$ 1,964,705                | \$ 21,876,967          |
| Investments                                                               | 6,186,452                  | -                           | 6,186,452              |
| Taxes Receivable, net                                                     | 2,116,164                  | -                           | 2,116,164              |
| Internal Balances                                                         | 643,169                    | (643,169)                   | -                      |
| Due From Other Governments                                                | 5,103,002                  | 10,420                      | 5,113,422              |
| Inventories                                                               | -                          | 69,357                      | 69,357                 |
| Other Accounts Receivable                                                 | 57,893                     | -                           | 57,893                 |
| Prepaid Expenses                                                          | 858,778                    | -                           | 858,778                |
| <b>Total Current Assets</b>                                               | <b>\$ 34,877,720</b>       | <b>\$ 1,401,313</b>         | <b>\$ 36,279,033</b>   |
| <b>Noncurrent Assets:</b>                                                 |                            |                             |                        |
| Land (non-depreciable)                                                    | \$ 259,084                 | \$ -                        | \$ 259,084             |
| Site improvements (net)                                                   | 685,913                    | -                           | 685,913                |
| Building and Building Improvements (net)                                  | 82,335,269                 | -                           | 82,335,269             |
| Furniture and Equipment (net)                                             | 2,516,461                  | 45,911                      | 2,562,372              |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 85,796,727</b>       | <b>\$ 45,911</b>            | <b>\$ 85,842,638</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 120,674,447</b>      | <b>\$ 1,447,224</b>         | <b>\$ 122,121,671</b>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                    |                            |                             |                        |
| Deferred Interest on Refunding                                            | \$ 1,707,333               | \$ -                        | \$ 1,707,333           |
| Deferred Bond Insurance Premiums                                          | 33,216                     | -                           | 33,216                 |
| Deferred Outflows Related to Pensions                                     | 14,249,041                 | 547,471                     | 14,796,512             |
| Deferred Outflows Related to OPEB                                         | 1,509,040                  | 31,272                      | 1,540,312              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 17,498,630</b>       | <b>\$ 578,743</b>           | <b>\$ 18,077,373</b>   |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 138,173,077</b>      | <b>\$ 2,025,967</b>         | <b>\$ 140,199,044</b>  |
| <b>LIABILITIES</b>                                                        |                            |                             |                        |
| <b>Current Liabilities:</b>                                               |                            |                             |                        |
| Accounts Payable                                                          | \$ 980,571                 | \$ 24,913                   | \$ 1,005,484           |
| Accrued Salaries and Benefits                                             | 8,170,746                  | -                           | 8,170,746              |
| Payroll Deductions and Withholdings                                       | 101,452                    | -                           | 101,452                |
| Bonds and Notes Payable (Current Portion)                                 | 5,050,187                  | -                           | 5,050,187              |
| Accrued Interest                                                          | 808,681                    | -                           | 808,681                |
| Unearned Revenue                                                          | 218,806                    | 5,689                       | 224,495                |
| Other Current Liabilities                                                 | 144,798                    | -                           | 144,798                |
| <b>Total Current Liabilities</b>                                          | <b>\$ 15,475,241</b>       | <b>\$ 30,602</b>            | <b>\$ 15,505,843</b>   |
| <b>Noncurrent Liabilities:</b>                                            |                            |                             |                        |
| Bonds Payable - Long-Term Portion (Net)                                   | \$ 81,622,538              | \$ -                        | \$ 81,622,538          |
| Notes Payable - Long-Term Portion (Net)                                   | 6,067,988                  | -                           | 6,067,988              |
| Net Pension Liability                                                     | 95,580,416                 | 3,671,584                   | 99,232,000             |
| Net OPEB Liability                                                        | 14,427,626                 | 151,811                     | 14,579,437             |
| Compensated Absences                                                      | 2,911,417                  | -                           | 2,911,417              |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 200,589,985</b>      | <b>\$ 3,823,395</b>         | <b>\$ 204,413,380</b>  |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 216,065,226</b>      | <b>\$ 3,853,997</b>         | <b>\$ 219,919,223</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                            |                             |                        |
| Deferred Inflows Related to Pensions                                      | \$ 4,516,470               | \$ 173,530                  | \$ 4,690,000           |
| Deferred Inflows Related to OPEB                                          | 3,058,403                  | 43,993                      | 3,102,396              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 7,574,873</b>        | <b>\$ 217,523</b>           | <b>\$ 7,792,396</b>    |
| <b>NET POSITION</b>                                                       |                            |                             |                        |
| Net Investment in Capital Assets (Deficit)                                | \$ (5,208,030)             | \$ 45,911                   | \$ (5,162,119)         |
| Restricted                                                                | -                          | 184,352                     | 184,352                |
| Unrestricted (Deficit)                                                    | (80,258,992)               | (2,275,816)                 | (82,534,808)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (85,467,022)</b>     | <b>\$ (2,045,553)</b>       | <b>\$ (87,512,575)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 138,173,077</b>      | <b>\$ 2,025,967</b>         | <b>\$ 140,199,044</b>  |

The accompanying notes are an integral part of these financial statements

CONNELLSVILLE AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

| Functions/Programs                               | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|--------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------------|
|                                                  | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Governmental Activities:</b>                  |                      |                      |                                    |                                  |                                                   |                          |                        |
| Instruction                                      | \$ 53,141,846        | \$ 3,223,019         | \$ 22,339,713                      | \$ -                             | \$ (27,579,114)                                   |                          | \$ (27,579,114)        |
| Instructional Student Support                    | 5,057,839            | -                    | 1,300,782                          | -                                | (3,757,057)                                       |                          | (3,757,057)            |
| Administrative and Financial Support Services    | 6,340,154            | -                    | 792,608                            | -                                | (5,547,546)                                       |                          | (5,547,546)            |
| Operation and Maintenance of Plant Services      | 7,889,947            | 157,342              | 768,167                            | -                                | (6,964,438)                                       |                          | (6,964,438)            |
| Pupil Transportation                             | 6,707,606            | -                    | 4,482,118                          | -                                | (2,225,488)                                       |                          | (2,225,488)            |
| Student Activities                               | 1,226,930            | 113,023              | 163,711                            | -                                | (950,196)                                         |                          | (950,196)              |
| Community Services                               | 23,753               | -                    | 14,753                             | -                                | (9,000)                                           |                          | (9,000)                |
| Interest on Long-Term Debt/Refunds               | 2,465,919            | -                    | -                                  | 2,211,253                        | (254,666)                                         |                          | (254,666)              |
| <b>Total Governmental Activities</b>             | <b>\$ 82,853,994</b> | <b>\$ 3,493,384</b>  | <b>\$ 29,861,852</b>               | <b>\$ 2,211,253</b>              | <b>\$ (47,287,505)</b>                            |                          | <b>\$ (47,287,505)</b> |
| <b>Business-Type activities:</b>                 |                      |                      |                                    |                                  |                                                   |                          |                        |
| Food Service                                     | \$ 3,431,319         | \$ 186,838           | \$ 3,767,973                       | \$ -                             | \$ -                                              | \$ 523,492               | \$ 523,492             |
| <b>Total Business-Type Activities</b>            | <b>\$ 3,431,319</b>  | <b>\$ 186,838</b>    | <b>\$ 3,767,973</b>                | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ 523,492</b>        | <b>\$ 523,492</b>      |
| <b>Total Primary Government</b>                  | <b>\$ 86,285,313</b> | <b>\$ 3,680,222</b>  | <b>\$ 33,629,825</b>               | <b>\$ 2,211,253</b>              | <b>\$ (47,287,505)</b>                            | <b>\$ 523,492</b>        | <b>\$ (46,764,013)</b> |
| <b>General Revenues:</b>                         |                      |                      |                                    |                                  |                                                   |                          |                        |
| Taxes:                                           |                      |                      |                                    |                                  |                                                   |                          |                        |
| Property Taxes Levied for General Purposes (net) |                      |                      |                                    |                                  | \$ 15,200,412                                     |                          | \$ 15,200,412          |
| Other Taxes Levied for General Purposes          |                      |                      |                                    |                                  | 3,712,626                                         |                          | 3,712,626              |
| Property Tax Relief Payment                      |                      |                      |                                    |                                  | 1,844,326                                         |                          | 1,844,326              |
| Grants and Contributions - Unrestricted          |                      |                      |                                    |                                  | 33,469,499                                        |                          | 33,469,499             |
| Investment Earnings                              |                      |                      |                                    |                                  | 559,414                                           | 2,116                    | 561,530                |
| Miscellaneous Income                             |                      |                      |                                    |                                  | 623,477                                           | 1,259                    | 624,736                |
| <b>Total General Revenues</b>                    |                      |                      |                                    |                                  | <b>\$ 55,409,754</b>                              | <b>\$ 3,375</b>          | <b>\$ 55,413,129</b>   |
| <b>Change in Net Position</b>                    |                      |                      |                                    |                                  | <b>\$ 8,122,249</b>                               | <b>\$ 526,867</b>        | <b>\$ 8,649,116</b>    |
| Net Position — July 1, 2022 (Deficit)            |                      |                      |                                    |                                  | (93,589,271)                                      | (2,572,420)              | (96,161,691)           |
| <b>Net Position — June 30, 2023 (Deficit)</b>    |                      |                      |                                    |                                  | <b>\$ (85,467,022)</b>                            | <b>\$ (2,045,553)</b>    | <b>\$ (87,512,575)</b> |

The accompanying notes are an integral part of these financial statements

CONNELLSVILLE AREA SCHOOL DISTRICT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2023

|                            | GENERAL FUND         | CAPITAL PROJECT FUND | CAREER AND TECHNICAL CENTER FUND | TOTAL GOVERNMENTAL FUNDS |
|----------------------------|----------------------|----------------------|----------------------------------|--------------------------|
| <b>ASSETS:</b>             |                      |                      |                                  |                          |
| Cash and Cash Equivalents  | \$ 19,413,658        | \$ 28,623            | \$ 469,981                       | \$ 19,912,262            |
| Investments                | 4,859,086            | 1,327,366            | -                                | 6,186,452                |
| Taxes Receivable, net      | 2,116,164            | -                    | -                                | 2,116,164                |
| Due from Other Funds       | 1,160,126            | -                    | -                                | 1,160,126                |
| Due from Other Governments | 4,901,243            | -                    | 201,759                          | 5,103,002                |
| Other Accounts Receivable  | 57,893               | -                    | -                                | 57,893                   |
| Prepaid Expenses           | 856,315              | -                    | 2,463                            | 858,778                  |
| <b>TOTAL ASSETS</b>        | <b>\$ 33,364,485</b> | <b>\$ 1,355,989</b>  | <b>\$ 674,203</b>                | <b>\$ 35,394,677</b>     |

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

|                                     |                     |             |                   |                      |
|-------------------------------------|---------------------|-------------|-------------------|----------------------|
| <b>LIABILITIES:</b>                 |                     |             |                   |                      |
| Due to Other Funds                  | \$ -                | \$ -        | \$ 516,957        | \$ 516,957           |
| Accounts Payable                    | 883,569             | -           | 97,002            | 980,571              |
| Accrued Salaries and Benefits       | 8,170,746           | -           | -                 | 8,170,746            |
| Payroll Deductions and Withholdings | 101,452             | -           | -                 | 101,452              |
| Unearned Revenue                    | 158,562             | -           | 60,244            | 218,806              |
| Other Current Liabilities           | 144,798             | -           | -                 | 144,798              |
| <b>TOTAL LIABILITIES</b>            | <b>\$ 9,459,127</b> | <b>\$ -</b> | <b>\$ 674,203</b> | <b>\$ 10,133,330</b> |

DEFERRED INFLOWS OF RESOURCES:

|                                            |                     |             |             |                     |
|--------------------------------------------|---------------------|-------------|-------------|---------------------|
| Delinquent Real Estate Taxes               | \$ 1,379,989        | \$ -        | \$ -        | \$ 1,379,989        |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b>\$ 1,379,989</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 1,379,989</b> |

FUND BALANCES:

|                            |                      |                     |             |                      |
|----------------------------|----------------------|---------------------|-------------|----------------------|
| Nonspendable               | \$ 856,315           | \$ -                | \$ -        | \$ 856,315           |
| Assigned                   | 15,532,438           | 1,355,989           | -           | 16,888,427           |
| Unassigned                 | 6,136,616            | -                   | -           | 6,136,616            |
| <b>TOTAL FUND BALANCES</b> | <b>\$ 22,525,369</b> | <b>\$ 1,355,989</b> | <b>\$ -</b> | <b>\$ 23,881,358</b> |

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

|  |               |              |            |               |
|--|---------------|--------------|------------|---------------|
|  | \$ 33,364,485 | \$ 1,355,989 | \$ 674,203 | \$ 35,394,677 |
|--|---------------|--------------|------------|---------------|

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

|                                                                                                                                                                                                                                    |                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>Total Fund Balances - Governmental Funds</b>                                                                                                                                                                                    | <b>\$ 23,881,358</b>   |
| Amounts reported for governmental activities in the statement of net position are different because:                                                                                                                               |                        |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$172,131,800 and the accumulated depreciation is \$86,335,073. | 85,796,727             |
| Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds.                | 1,379,989              |
| Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.                                                                            |                        |
| Deferred outflows of resources related to pensions                                                                                                                                                                                 | 14,249,041             |
| Deferred outflows of resources related to OPEB                                                                                                                                                                                     | 1,509,040              |
| Deferred inflows of resources related to pensions                                                                                                                                                                                  | (4,516,470)            |
| Deferred inflows of resources related to OPEB                                                                                                                                                                                      | (3,058,403)            |
| Long term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:   |                        |
| Bonds and Notes Payable (Net)                                                                                                                                                                                                      | \$ (92,740,713)        |
| Deferred Interest on Refunding                                                                                                                                                                                                     | 1,707,333              |
| Deferred Bond Insurance Premiums                                                                                                                                                                                                   | 33,216                 |
| Accrued Interest on Debt                                                                                                                                                                                                           | (808,681)              |
| Net Pension Liability                                                                                                                                                                                                              | (95,560,416)           |
| Net OPEB Liability                                                                                                                                                                                                                 | (14,427,626)           |
| Accrued Compensated Absences                                                                                                                                                                                                       | (2,911,417)            |
|                                                                                                                                                                                                                                    | (204,708,304)          |
| <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (DEFICIT)</b>                                                                                                                                                                      | <b>\$ (85,467,022)</b> |

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

|                                                          | <u>GENERAL FUND</u>   | <u>CAPITAL PROJECT FUND</u> | <u>DEBT SERVICE FUND</u> | <u>CAREER AND TECHNICAL CENTER FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|----------------------------------------------------------|-----------------------|-----------------------------|--------------------------|-----------------------------------------|---------------------------------|
| <u>REVENUES</u>                                          |                       |                             |                          |                                         |                                 |
| Local Sources                                            | \$ 21,189,320         | \$ 42,310                   | \$ -                     | \$ 2,958,709                            | \$ 24,190,339                   |
| State Sources                                            | 56,453,655            | -                           | -                        | 1,363,235                               | 57,816,890                      |
| Federal Sources                                          | 8,003,241             | -                           | -                        | 445,112                                 | 8,448,353                       |
| <b>Total Revenue</b>                                     | <b>\$ 85,646,216</b>  | <b>\$ 42,310</b>            | <b>\$ -</b>              | <b>\$ 4,767,056</b>                     | <b>\$ 90,455,582</b>            |
| <u>EXPENDITURES</u>                                      |                       |                             |                          |                                         |                                 |
| Instruction                                              | \$ 48,779,037         | \$ -                        | \$ -                     | \$ 3,481,747                            | \$ 52,260,784                   |
| Support Services                                         | 24,115,474            | -                           | -                        | 1,274,093                               | 25,389,567                      |
| Noninstructional Services                                | 1,264,530             | -                           | -                        | 11,152                                  | 1,275,682                       |
| Capital Outlay                                           | -                     | 780,667                     | -                        | -                                       | 780,667                         |
| Debt Service                                             | -                     | -                           | 8,094,061                | -                                       | 8,094,061                       |
| <b>Total Expenditures</b>                                | <b>\$ 74,159,041</b>  | <b>\$ 780,667</b>           | <b>\$ 8,094,061</b>      | <b>\$ 4,766,992</b>                     | <b>\$ 87,800,761</b>            |
| <b>Excess ( Deficiency) of Revenue over Expenditures</b> | <b>\$ 11,487,175</b>  | <b>\$ (738,357)</b>         | <b>\$ (8,094,061)</b>    | <b>\$ 64</b>                            | <b>\$ 2,654,821</b>             |
| <u>OTHER FINANCING SOURCES (USES)</u>                    |                       |                             |                          |                                         |                                 |
| Insurance Recoveries                                     | \$ 434,040            | \$ -                        | \$ -                     | \$ -                                    | \$ 434,040                      |
| Refund of Prior Year Revenues                            | -                     | -                           | -                        | (64)                                    | (64)                            |
| Refund of Prior Year Expenses                            | -                     | 6,994                       | -                        | -                                       | 6,994                           |
| Operating Transfers In                                   | -                     | 679,906                     | 8,094,061                | -                                       | 8,773,967                       |
| Operating Transfers Out                                  | (8,773,967)           | -                           | -                        | -                                       | (8,773,967)                     |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ (8,339,927)</b> | <b>\$ 686,900</b>           | <b>\$ 8,094,061</b>      | <b>\$ (64)</b>                          | <b>\$ 440,970</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>\$ 3,147,248</b>   | <b>\$ (51,457)</b>          | <b>\$ -</b>              | <b>\$ -</b>                             | <b>\$ 3,095,791</b>             |
| FUND BALANCE - JULY 1, 2022                              | 19,378,121            | 1,407,446                   | -                        | -                                       | 20,785,567                      |
| <b>FUND BALANCE - JUNE 30, 2023</b>                      | <b>\$ 22,525,369</b>  | <b>\$ 1,355,989</b>         | <b>\$ -</b>              | <b>\$ -</b>                             | <b>\$ 23,881,358</b>            |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA 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**

|                                                                                                                                                                                                                                                                                                                                                                                                            |           |                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------|
| <b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>                                                                                                                                                                                                                                                                                                                                              | <b>\$</b> | <b>3,095,791</b>        |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                                                                                                                                                                                                                                                         |           |                         |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$5,756,972) exceeds capital outlays (\$1,187,168) in the period.                                                                          |           | (4,569,804)             |
| Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.                                                                                                                                                                                       |           | 4,440,855               |
| Proceeds from long-term debt obligations are recorded as revenues in the governmental funds. However, in the statement of net position, these proceeds and related costs are recognized as long-term liabilities and contra-liabilities.                                                                                                                                                                   |           | -                       |
| Bond issue premiums/discounts are recognized as revenue/expense in the fund statements when the bond is issued. These amounts are recognized as part of long-term debt in the government-wide financial statements and accreted over the life of the bond.                                                                                                                                                 |           | 74,248                  |
| Deferred interest on the refunding of a bond issue and bond insurance premiums are recognized as a contra long-term liability in the government-wide financial statements and amortized as a component of interest expense over the life of the bond issue.                                                                                                                                                |           | (168,498)               |
| Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.                                                                                                                                                                                                                                |           | 5,693,905               |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.                |           | 28,980                  |
| Because certain property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.                                                                                                                                                |           | 68,927                  |
| In the statement of activities, certain operating expenses - compensated absences and retiree benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences and retiree health benefits earned exceeded the amount paid. |           | <u>(542,155)</u>        |
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>                                                                                                                                                                                                                                                                                                                                                   | <b>\$</b> | <b><u>8,122,249</u></b> |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|                                                              | Budgeted Amounts      |                       | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Over (Under) |
|--------------------------------------------------------------|-----------------------|-----------------------|-----------------------------|-----------------------------------------------|
|                                                              | Original              | Final                 |                             |                                               |
| <b>REVENUES</b>                                              |                       |                       |                             |                                               |
| Local Sources                                                | \$ 21,091,616         | \$ 21,091,616         | \$ 21,189,320               | \$ 97,704                                     |
| State Sources                                                | 52,887,593            | 52,887,593            | 56,453,655                  | 3,566,062                                     |
| Federal Sources                                              | 10,816,998            | 10,816,998            | 8,003,241                   | (2,813,757)                                   |
| <b>Total Revenues</b>                                        | <b>\$ 84,796,207</b>  | <b>\$ 84,796,207</b>  | <b>\$ 85,646,216</b>        | <b>\$ 850,009</b>                             |
| <b>EXPENDITURES</b>                                          |                       |                       |                             |                                               |
| Regular Programs                                             | \$ 30,968,442         | \$ 31,395,624         | \$ 30,242,650               | \$ (1,152,974)                                |
| Special Programs                                             | 13,465,843            | 13,475,310            | 13,844,166                  | 368,856                                       |
| Vocational Programs                                          | 3,112,453             | 3,112,453             | 2,905,467                   | (206,986)                                     |
| Other Instructional Programs                                 | 970,395               | 979,341               | 1,670,525                   | 691,184                                       |
| Non-Public School Programs                                   | 122,091               | 122,091               | 116,229                     | (5,862)                                       |
| Pupil Personnel Services                                     | 1,494,284             | 1,524,608             | 1,915,252                   | 390,644                                       |
| Instructional Staff Services                                 | 2,866,435             | 2,886,029             | 1,963,854                   | (922,175)                                     |
| Administrative Services                                      | 2,949,038             | 2,958,038             | 3,198,086                   | 240,048                                       |
| Pupil Health                                                 | 915,686               | 772,630               | 856,171                     | 83,541                                        |
| Business Services                                            | 844,311               | 844,311               | 842,774                     | (1,537)                                       |
| Operation & Maintenance of Plant Services                    | 6,179,204             | 6,286,051             | 6,736,389                   | 450,338                                       |
| Student Transportation Services                              | 6,683,317             | 6,708,316             | 6,701,959                   | (6,357)                                       |
| Support Services - Central                                   | 1,948,283             | 1,854,980             | 1,865,245                   | 10,265                                        |
| Other Support Services                                       | 37,000                | 37,000                | 35,744                      | (1,256)                                       |
| Student Activities                                           | 1,388,426             | 1,388,426             | 1,240,777                   | (147,649)                                     |
| Community Services                                           | 30,118                | 30,118                | 23,753                      | (6,365)                                       |
| <b>Total Expenditures</b>                                    | <b>\$ 73,975,326</b>  | <b>\$ 74,375,326</b>  | <b>\$ 74,159,041</b>        | <b>\$ (216,285)</b>                           |
| <b>Excess (Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 10,820,881</b>  | <b>\$ 10,420,881</b>  | <b>\$ 11,487,175</b>        | <b>\$ 1,066,294</b>                           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                       |                             |                                               |
| Insurance Recoveries                                         | \$ -                  | \$ -                  | \$ 434,040                  | \$ 434,040                                    |
| Budgetary Reserve                                            | (400,000)             | -                     | -                           | -                                             |
| Capital Contributions                                        | 5,000                 | 5,000                 | -                           | (5,000)                                       |
| Operating Transfers Out                                      | (8,596,745)           | (8,596,745)           | (8,773,967)                 | (177,222)                                     |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (8,991,745)</b> | <b>\$ (8,591,745)</b> | <b>\$ (8,339,927)</b>       | <b>\$ 251,818</b>                             |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 1,829,136</b>   | <b>\$ 1,829,136</b>   | <b>\$ 3,147,248</b>         | <b>\$ 1,318,112</b>                           |
| <b>FUND BALANCE - JULY 1, 2022</b>                           | <b>11,350,298</b>     | <b>11,350,298</b>     | <b>19,378,121</b>           | <b>8,027,823</b>                              |
| <b>FUND BALANCE - JUNE 30, 2023</b>                          | <b>\$ 13,179,434</b>  | <b>\$ 13,179,434</b>  | <b>\$ 22,525,369</b>        | <b>\$ 9,345,935</b>                           |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2023**

|                                                                           | <b><u>FOOD<br/>SERVICES</u></b> |
|---------------------------------------------------------------------------|---------------------------------|
| <b>ASSETS</b>                                                             |                                 |
| <b>Current Assets:</b>                                                    |                                 |
| Cash and Cash Equivalents                                                 | \$ 1,964,705                    |
| Due from Other Governments                                                | 10,420                          |
| Inventories                                                               | 69,357                          |
| <b>TOTAL CURRENT ASSETS</b>                                               | <b><u>\$ 2,044,482</u></b>      |
| <b>Noncurrent Assets:</b>                                                 |                                 |
| Furniture & Equipment                                                     | \$ 45,911                       |
| <b>TOTAL NONCURRENT ASSETS</b>                                            | <b><u>\$ 45,911</u></b>         |
| <b>TOTAL ASSETS</b>                                                       | <b><u>\$ 2,090,393</u></b>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                    |                                 |
| Deferred Outflows Related to Pension                                      | \$ 547,471                      |
| Deferred Outflows Related to OPEB                                         | 31,272                          |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b><u>\$ 578,743</u></b>        |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b><u>\$ 2,669,136</u></b>      |
| <b>LIABILITIES</b>                                                        |                                 |
| <b>Current Liabilities:</b>                                               |                                 |
| Accounts Payable                                                          | \$ 24,913                       |
| Due to Other Funds                                                        | 643,169                         |
| Unearned Revenue                                                          | 5,689                           |
| <b>TOTAL CURRENT LIABILITIES</b>                                          | <b><u>\$ 673,771</u></b>        |
| <b>Noncurrent Liabilities:</b>                                            |                                 |
| Net Pension Liability                                                     | \$ 3,671,584                    |
| Net OPEB Liability                                                        | 151,811                         |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                       | <b><u>\$ 3,823,395</u></b>      |
| <b>TOTAL LIABILITIES</b>                                                  | <b><u>\$ 4,497,166</u></b>      |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                                 |
| Deferred Inflows Related to Pension                                       | \$ 173,530                      |
| Deferred Inflows Related to OPEB                                          | 43,993                          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b><u>\$ 217,523</u></b>        |
| <b>NET POSITION</b>                                                       |                                 |
| Net Investment in Capital Assets                                          | \$ 45,911                       |
| Restricted Net Position                                                   | 184,352                         |
| Unrestricted (Deficit)                                                    | (2,275,816)                     |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b><u>\$ (2,045,553)</u></b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b><u>\$ 2,669,136</u></b>      |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|                                                | <u>FOOD<br/>SERVICES</u>            |
|------------------------------------------------|-------------------------------------|
| <b><u>OPERATING REVENUES</u></b>               |                                     |
| Food Services Revenue                          | \$ 186,838                          |
| <b>Total Operating Revenues</b>                | <b><u>\$ 186,838</u></b>            |
| <b><u>OPERATING EXPENSES</u></b>               |                                     |
| Personnel Services - Salaries                  | \$ 1,296,092                        |
| Personnel Services - Employee Benefits         | 444,511                             |
| Purchased Professional/Technical Services      | 45,013                              |
| Purchased Property Services                    | 24,244                              |
| Food/Milk/Donated Commodities                  | 1,552,876                           |
| Supplies                                       | 28,082                              |
| Other Objects                                  | 13,947                              |
| Depreciation                                   | 5,049                               |
| <b>Total Operating Expenses</b>                | <b><u>\$ 3,409,814</u></b>          |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b><u>\$ (3,222,976)</u></b>        |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                                     |
| Earnings on Investments                        | \$ 2,116                            |
| State Sources                                  | 493,187                             |
| Federal Sources                                | 3,274,786                           |
| Refund of Prior Year Expenses                  | 1,259                               |
| Refund of Prior Year Revenues                  | (21,505)                            |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b><u>\$ 3,749,843</u></b>          |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ 526,867</b>                   |
| NET POSITION - JULY 1, 2022 (Deficit)          | <u>(2,572,420)</u>                  |
| <b>NET POSITION - JUNE 30, 2023 (Deficit)</b>  | <b><u><u>\$ (2,045,553)</u></u></b> |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|                                                                                                              | <b>FOOD<br/>SERVICES</b>     |
|--------------------------------------------------------------------------------------------------------------|------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                           |                              |
| Cash Received from Users                                                                                     | \$ 185,377                   |
| Cash Payments to Employees for Services                                                                      | (2,059,224)                  |
| Cash Payments to Suppliers for Goods and Services                                                            | (1,242,965)                  |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                                                  | <b><u>\$ (3,116,812)</u></b> |
| <b><u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u></b>                                                   |                              |
| Fixed Asset Purchases                                                                                        | \$ (8,718)                   |
| <b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>                                      | <b><u>\$ (8,718)</u></b>     |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                               |                              |
| State Sources                                                                                                | \$ 493,187                   |
| Federal Sources                                                                                              | 3,040,970                    |
| Refund of Prior Year Expenses                                                                                | 1,259                        |
| Refund of Prior Year Revenues                                                                                | (21,505)                     |
| <b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>                                      | <b><u>\$ 3,513,911</u></b>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                           |                              |
| Earnings on Investments                                                                                      | \$ 2,116                     |
| <b>Net Cash Provided by (Used for) Investing Activities</b>                                                  | <b><u>\$ 2,116</u></b>       |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                  | <b>\$ 390,497</b>            |
| CASH AND CASH EQUIVALENTS - JULY 1, 2022                                                                     | <u>1,574,208</u>             |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2023</b>                                                             | <b><u>\$ 1,964,705</u></b>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>        |                              |
| Operating Income (Loss)                                                                                      | <b>\$ (3,222,976)</b>        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                              |
| Depreciation                                                                                                 | 5,049                        |
| Donated Commodities                                                                                          | 228,520                      |
| (Increase) Decrease in Other Accounts Receivable                                                             | 72                           |
| (Increase) Decrease in Inventories                                                                           | 180,267                      |
| (Increase) Decrease in Deferred Outflows of Resources                                                        | 81,401                       |
| Increase (Decrease) in Accounts Payable                                                                      | 12,411                       |
| Increase (Decrease) in Net Pension Liability                                                                 | 217,153                      |
| Increase (Decrease) in Net OPEB Liability                                                                    | (47,545)                     |
| Increase (Decrease) in Deferred Inflows of Resources                                                         | (428,941)                    |
| Increase (Decrease) in Unearned Revenue                                                                      | (1,534)                      |
| Increase (Decrease) in Due to Other Funds                                                                    | (140,689)                    |
| <b>Total Adjustments</b>                                                                                     | <b><u>\$ 106,164</u></b>     |
| <b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>                                                  | <b><u>\$ (3,116,812)</u></b> |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                              |                              |
| During the year, the District received \$228,520 in food commodities from the U.S. Department of Agriculture |                              |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2023**

|                                           | <b>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> | <b>CACTC<br/>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> |
|-------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|
|                                           | <u>                    </u>                         | <u>                    </u>                                   |
| <b>ASSETS</b>                             |                                                     |                                                               |
| Cash and Cash Equivalents                 | \$ 215,829                                          | \$ 41,518                                                     |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 215,829</u></u>                            | <u><u>\$ 41,518</u></u>                                       |
| <br><b>LIABILITIES AND NET POSITION</b>   |                                                     |                                                               |
| <b>LIABILITIES:</b>                       |                                                     |                                                               |
| Other Current Liabilities                 | \$ -                                                | \$ -                                                          |
| <b>TOTAL LIABILITIES</b>                  | <u><u>\$ -</u></u>                                  | <u><u>\$ -</u></u>                                            |
| <b>NET POSITION:</b>                      |                                                     |                                                               |
| Unrestricted                              | \$ 215,829                                          | \$ 41,518                                                     |
| <b>TOTAL NET POSITION</b>                 | <u><u>\$ 215,829</u></u>                            | <u><u>\$ 41,518</u></u>                                       |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 215,829</u></u>                            | <u><u>\$ 41,518</u></u>                                       |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|                                         | <b>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> | <b>CACTC<br/>STUDENT<br/>ACTIVITY<br/>CUSTODIAL<br/>FUNDS</b> |
|-----------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|
| <b>ADDITIONS</b>                        |                                                     |                                                               |
| Student Club Organization Receipts      | \$ 247,268                                          | \$ 68,314                                                     |
| <b>TOTAL ADDITIONS</b>                  | <b>\$ 247,268</b>                                   | <b>\$ 68,314</b>                                              |
| <b>DEDUCTIONS</b>                       |                                                     |                                                               |
| Student Club Organization Disbursements | \$ 232,056                                          | \$ 67,694                                                     |
| <b>TOTAL DEDUCTIONS</b>                 | <b>\$ 232,056</b>                                   | <b>\$ 67,694</b>                                              |
| <b>CHANGE IN NET POSITION</b>           | <b>\$ 15,212</b>                                    | <b>\$ 620</b>                                                 |
| NET POSITION - JULY 1, 2022             | 200,617                                             | 40,898                                                        |
| <b>NET POSITION - JUNE 30, 2023</b>     | <b>\$ 215,829</b>                                   | <b>\$ 41,518</b>                                              |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Connellsville Area School District was established under the authority of an act of the state legislature that designated a school board as the governing body. The District operates eight elementary schools, two junior high schools and one high school. This District also serves several surrounding municipalities, which include the Townships of Bullskin, Connellsville, Dunbar, Saltlick and Springfield, the City of Connellsville, and the Boroughs of Dawson, Dunbar, South Connellsville and Vanderbilt. The District operates under a locally elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Assistant to the Superintendent is responsible for budget and financial operations. Both of these officials are appointed by the School District.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Connellsville Area School District consists of all funds, departments, boards and agencies that are not legally separate from the District. Generally accepted accounting principles defines component units as legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. For the Connellsville Area School District, this includes general operations of the District and the Connellsville Area Career and Technical Center, food service, and student related activities of the School District.

Effective July 1, 2001, the Board of Education of the School District assumed sole responsibility for the operation of the Connellsville Area Career and Technical Center (CACTC), formerly the North Fayette Area Vocational Technical School. Although the Career and Technical Center is a legally separate organization, the School District's Board of Education is also the governing body for the Career and Technical Center and is financially accountable for their operations. In addition, the Career and Technical Center's student enrollment consisted of students from the Connellsville Area School District exclusively. Accordingly, the Career and Technical Center meets the criteria for inclusion as a component unit of the School District and their financial activity is included (blended) in the accompanying financial statements.

The School District is associated with one jointly governed organization (Note 13) and one public entity risk pool (Note 14). These organizations are:

- Jointly Governed Organization:  
Intermediate Unit 1
  
- Public Entity Risk Pool:  
Allegheny County Schools Health Insurance Consortium

The financial statements of the Connellsville Area School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FINANCIAL STATEMENT PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under generally accepted accounting standards, the focus of fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For Pennsylvania school districts, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The fair value of donated commodities used during the year is reported in the operating statements as an expense with a like amount reported as part of federal source revenue.

Fiduciary funds are reported using the economic resources measurement focus.

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

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Connellsville Area School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2023 under the modified accrual basis are (1) delinquent real estate and certain Act 511 taxes collected by the district within 60 days following the close of the fiscal year, (2) federal and state subsidies earned in the fiscal year 2022-2023, (3) tuition due from other Pennsylvania school districts, and (4) other miscellaneous revenues earned in fiscal year 2022-2023 but received subsequent to June 30, 2023. On the governmental fund financial statements, delinquent real estate tax receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2023, are those for which the Board of Education's intention was to expense these items as budgeted for the 2022-2023 official budget, and for which the District has incurred an obligation during 2023 but has not paid as of June 30, 2023.

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The General Fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL PROJECT FUND** - The Capital Project Fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of the District's general obligation bond issues.

**DEBT SERVICE FUND** - The Debt Service Fund is used to account for transfers from the General Fund for the payment of principal and interest on general obligation bond/note issues and financed purchase agreements outstanding.

**NON-MAJOR GOVERNMENTAL FUNDS:**

**CAREER AND TECHNICAL CENTER FUND** - The Career and Technical Center Fund represents the activities of the District's blended component unit – The Connellsville Area Career and Technical Center.

**Proprietary Funds** – The Proprietary Fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the School District (internal service funds). The Food Service Fund is used to account for all financial resources of the District's food service operations and is the District's sole and major proprietary (enterprise) fund.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments are therefore not available to support the School District's own programs. Custodial funds report fiduciary activities that are not held in a Trust or equivalent arrangement that meets specific criteria. The Districts' Custodial Funds are comprised of various student organization activity accounts administered by the District on behalf of the various student organizations of the District and the Career and Technical Center.

**BUDGETS**

On June 22, 2022, the Connellsville Area School District adopted its fiscal year June 30, 2023 annual budget for the General Fund totaling \$82,972,071 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual basis of accounting in accordance with generally accepted accounting principles. The original and final budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the General Fund lapse at year-end.

The School District uses the following procedures in establishing this budgetary data:

- a. Prior to May of the preceding fiscal year, the school district prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the revenues and other sources of funds used to finance these expenditures.
- b. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
- c. A meeting of the Board of Education is then held for the purpose of adopting the proposed budget. The meeting may only be held after 10 days of public notification.
- d. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of Education.
- e. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.
- f. Budgetary transfers are permitted after the first 90 days of the school district's fiscal year.

**CASH AND CASH EQUIVALENTS**

For the purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Connellsville Area School District is permitted to invest funds consistent with sound business practices in the following types of investments:

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS (Continued)**

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Connellsville Area School District include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). There were no deposit and investment transactions during the year that were in violation of state statutes.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities' column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$1,000. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities. All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <u>CATEGORY</u>            | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> |
|----------------------------|------------------------------------|-------------------------------------|
| Site Improvements          | 15-20 years                        | N/A                                 |
| Buildings and Improvements | 15-50 years                        | N/A                                 |
| Furniture and Fixtures     | 5-10 years                         | N/A                                 |
| Vehicles                   | 7-10 years                         | 5 Years                             |
| Equipment                  | 5-10 years                         | 3-10 years                          |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**LONG-TERM DEBT FINANCING COSTS**

Bond issuance costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur bond issuance costs during the 2022-2023 fiscal year.

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 11.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 12.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of applicable GASB Statements. Sick leave and vacation benefits are accrued as a liability at the time individuals become eligible in accordance with the terms of the District's collective bargaining agreements. With regard to sick leave, teachers and twelve-month employees are credited with ten days of sick leave annually to an unlimited maximum. Upon retirement, administrators with at least ten years of service will be reimbursed for unused sick days at a per diem rate of 50% of their daily rate up to 210 days. Teachers receive \$100 per day for each accumulated unused sick day up to 300 days. Custodians and secretaries are paid at one-half rate for each accumulated unused sick day and 40% of daily rate, respectively, up to a maximum of 200 days. Cafeteria personnel are paid for each accumulated unused sick day up to a maximum of 180 days.

With regard to vacation pay, District employees who are required to work on a twelve-month schedule are credited with vacation rates which vary with length of service or job classification. Unused vacation days for administrators and secretaries are added to sick days. Vacation days of other twelve-month employees are noncumulative. The entire compensated absences liability of \$2,911,417 is shown as a non-current liability in the government-wide statement of net position. This amount includes \$179,193 for the Connellsville Area Career and Technical Center. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences, retiree health benefits and health insurance consortium liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned revenue arises when the District receives resources before it has legal claim to them. This occurs 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 School District has a legal claim to the resources, the unearned revenue liability is removed, and revenue is recognized.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has four items that qualify for reporting in this category. They are deferred interest on refunding of bonds, deferred bond insurance premiums, and deferred outflows related to the School District's pension and OPEB plans, reported on the governmental funds statement of net position (Exhibit A).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The School District has three items that qualify for reporting in this category. They are delinquent real estate taxes reported on the governmental funds balance sheet (Exhibit C), and deferred inflows related to the School District's pension and OPEB plans, reported on the governmental funds statement of net position (Exhibit A).

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets. The restricted net position of the District's Enterprise Fund of \$184,352 is comprised of grants from the PA Department of Education totaling \$162,587 and donations totaling \$21,765.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'. The District had an unrestricted deficit net position of \$82,534,808 as of June 30, 2023.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaid expenses) or are required to be maintained intact. The District's non-spendable fund balance at June 30, 2023 totaled \$856,315.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amount constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The District's assigned fund balance totaling \$15,532,438 as of June 30, 2023 consists of **1)** \$3,560,112 for future health insurance increases, and **2)** \$1,252,849 for future PSERS increases, **3)** \$895,500 for future CAEA salary increases, and **4)** \$9,823,977 for other post-employment benefits (OPEB).
- Unassigned fund balance – amounts that are available for any purpose.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Business Manager.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts.

Act 48 of 2003 prohibits school districts from increasing real property taxes beyond the annual index increase permitted by law, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Connellsville Area School District, estimated ending unassigned fund balance must not exceed 8.0% of total budgeted expenditures.

**ESTIMATES**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary (enterprise) fund. For the Connellsville Area School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **(1)** investment earnings, **(2)** state and federal subsidies, including donated commodities from the U.S. Department of Agriculture, and **(3)** refund of prior year expenses. The District's non-operating expenses include refund of prior year receipts.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2022-2023 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on Connellsville Area School District's financial statements.

- **GASB issued Statement No. 91**, '*Conduit Debt Obligations*'.
- **GASB issued Statement No. 94**, '*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*'.
- **GASB issued Statement No. 96**, '*Subscription-Based Information Technology Arrangements*'.

**PENDING GASB PRONOUNCEMENTS**

- **GASB issued Statement No 99**, '*Omnibus 2022*'. The provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments are effective for the School's June 30, 2024 financial statements.
- **GASB issued Statement No 100**, '*Accounting Changes and Error Correction*'. The provisions of this Statement are effective for the School's June 30, 2024 financial statements.
- **GASB issued Statement No 101**, '*Compensated Absences*'. The provisions of this Statement are effective for the School's June 30, 2025 financial statements.

The effects of implementing these Statements on the School's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

At June 30, 2023, Connellsville Area School District had the following carrying values on its cash and cash equivalents accounts:

|                                | <b>BANK<br/>BALANCE</b> | <b>CARRYING<br/>VALUE</b> |
|--------------------------------|-------------------------|---------------------------|
| General Fund                   | \$ 19,868,530           | \$ 19,413,658             |
| Capital Project Fund           | 28,623                  | 28,623                    |
| Career & Technical Center Fund | 477,631                 | 469,981                   |
| Enterprise Fund                | 2,014,654               | 1,964,705                 |
| Custodial Fund                 | 223,720                 | 215,829                   |
| CACTC Custodial Fund           | 41,694                  | 41,518                    |
|                                | <b>\$ 22,654,852</b>    | <b>\$ 22,134,314</b>      |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of June 30, 2023, \$22,139,438 of the District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000 are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS**

The amortized cost and fair value and maturity term of the District's investments as of June 30, 2023 is as follows:

|                      | <b>Amortized<br/>Cost/Fair<br/>Value</b> | <b>No Stated<br/>Maturity</b> |
|----------------------|------------------------------------------|-------------------------------|
| <b>Governmental:</b> |                                          |                               |
| PLGIT                | \$ 6,186,437                             | \$ 6,186,437                  |
| PSDLAF               | 15                                       | 15                            |
|                      | <b>\$ 6,186,452</b>                      | <b>\$ 6,186,452</b>           |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF) is to enable their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972.

The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in PLGIT and PSDLAF are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The District does not have a specific policy that would limit its investment choices to those with certain credit ratings.

**Interest Rate Risk:**

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS (Continued)**

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy, in addition to the requirements of the Pennsylvania School Code that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of June 30, 2023, PLGIT and PSDLAF were rated AAAM by the Standard and Poors nationally recognized statistical rating organization.

**Fair Value Measurements:**

The Connellsville Area School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. Generally accepted accounting standards provide a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.
- **Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.
- **Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PLGIT and PSDLAF are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 - PROPERTY TAXES**

The Connellsville Area School District levies property taxes August 1 of each fiscal year. The tax millage assessment for the 2022-2023 fiscal year was 14.2481 mills, which represents \$14.2481 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid subsequent to October 1. Taxes paid after November 30 are assessed a 10% penalty. Unpaid taxes are submitted to Fayette County for collection. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy. The final tax collector reconciliations reflected \$1,358,621 in unpaid 2022 property taxes, which represents 8.97% of the total assessed property taxes (\$15,139,758) for the current fiscal year.

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of \$1,379,989. For purposes of the governmental fund financial statements, these delinquent property taxes receivable, although measurable, do not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to 'deferred inflows of resources' in the fund financial statements.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 - PROPERTY TAXES (Continued)**

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F). Taxes receivable are comprised of the following at June 30, 2023:

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Delinquent Property Taxes                            | \$ 1,379,989        |
| Delinquent Property Taxes (collected within 60 days) | 479,638             |
| Wage Taxes                                           | 233,162             |
| Deed Transfer Taxes                                  | 23,375              |
|                                                      | <b>\$ 2,116,164</b> |

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position, is comprised of the following:

|                               | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|-------------------------------|------------------------------------|-------------------------------------|
| Commonwealth of Pennsylvania: |                                    |                                     |
| State Subsidies               | \$ 3,291,414                       | \$ -                                |
| Federal Grants/Subsidies      | 1,486,918                          | 10,420                              |
| Tuition - Other LEA's         | 324,670                            | -                                   |
|                               | <b>\$ 5,103,002</b>                | <b>\$ 10,420</b>                    |

**NOTE 5 – INTER-FUND RECEIVABLES/PAYABLES/TRANSFERS**

Inter-fund receivables and payables as reflected on the governmental and proprietary funds balance sheets (Exhibits C and H) are as follows:

|                                | <b>RECEIVABLE</b>   | <b>PAYABLE</b>      |
|--------------------------------|---------------------|---------------------|
| General Fund                   | \$ 1,160,126        | \$ -                |
| Career & Technical Center Fund | -                   | 516,957             |
| Food Service Fund              | -                   | 643,169             |
|                                | <b>\$ 1,160,126</b> | <b>\$ 1,160,126</b> |

These inter-fund obligations represent reimbursements due for routine operating costs paid by each respective fund on behalf of the other funds. These obligations have been eliminated in the government-wide statement of net position. Inter-fund transfers for the fiscal year were as follows:

|                      | <b>TRANSFERS IN</b> | <b>TRANSFERS OUT</b> |
|----------------------|---------------------|----------------------|
| General Fund         | \$ -                | \$ 8,773,967         |
| Capital Project Fund | 679,906             | -                    |
| Debt Service Fund    | 8,094,061           | -                    |
|                      | <b>\$ 8,773,967</b> | <b>\$ 8,773,967</b>  |

Transfers from the General Fund to the Capital Project Fund totaling \$679,906 were made for capital expenses. Transfers from the General Fund to the Debt Service Fund totaling \$8,094,061 were made to meet required debt obligation payments of the School District.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 – OTHER ACCOUNTS RECEIVABLE**

The amount of 'other accounts receivable', totaling \$57,893, as reflected on the government-wide statement of net position is comprised miscellaneous reimbursements due the School District.

**NOTE 7 - OTHER CURRENT LIABILITIES**

The 'other current liabilities' balance of \$144,798 as reflected on the government-wide statement of net position, represents monies received and earmarked for the following programs and projects:

|                                    |                   |
|------------------------------------|-------------------|
| Sam Glick Scholarship              | \$ 100,142        |
| Madeline T. VanNosdein Scholarship | 40,458            |
| Health Fair                        | 2,852             |
| Miscellaneous                      | 1,346             |
|                                    | <b>\$ 144,798</b> |

**NOTE 8 - CAPITAL ASSETS**

A summary of the governmental and business-type fixed asset activity for the 2022-2023 fiscal year is as follows:

|                                                        | Balance<br>7/1/2022    | Additions             | Deductions          | Balance<br>6/30/2023   |
|--------------------------------------------------------|------------------------|-----------------------|---------------------|------------------------|
| <b>Governmental Activities:</b>                        |                        |                       |                     |                        |
| <b>Capital Assets, not being depreciated</b>           |                        |                       |                     |                        |
| Land                                                   | \$ 259,084             | \$ -                  | \$ -                | \$ 259,084             |
| <b>Total Capital Assets,<br/>not being depreciated</b> | <b>\$ 259,084</b>      | <b>\$ -</b>           | <b>\$ -</b>         | <b>\$ 259,084</b>      |
| <b>Capital Assets, being depreciated</b>               |                        |                       |                     |                        |
| Site Improvements                                      | \$ 2,909,557           | \$ 6,298              | \$ -                | \$ 2,915,855           |
| Building and Improvements                              | 147,301,792            | -                     | -                   | 147,301,792            |
| Furniture and Equipment                                | 20,908,696             | 1,180,870             | 434,496             | 21,655,070             |
| <b>Total Capital Assets,<br/>being depreciated</b>     | <b>\$ 171,120,045</b>  | <b>\$ 1,187,168</b>   | <b>\$ 434,496</b>   | <b>\$ 171,872,716</b>  |
| <b>Less: Accumulated depreciation</b>                  |                        |                       |                     |                        |
| Site Improvements                                      | \$ (2,132,830)         | \$ (97,114)           | \$ -                | \$ (2,229,944)         |
| Building and Improvements                              | (60,623,787)           | (4,342,736)           | -                   | (64,966,523)           |
| Furniture and Equipment                                | (18,255,982)           | (1,317,122)           | (434,496)           | (19,138,608)           |
| <b>Total Accumulated Depreciation</b>                  | <b>\$ (81,012,597)</b> | <b>\$ (5,756,972)</b> | <b>\$ (434,496)</b> | <b>\$ (86,335,073)</b> |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b>\$ 90,366,532</b>   | <b>\$ (4,569,804)</b> | <b>\$ -</b>         | <b>\$ 85,796,727</b>   |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 8 - CAPITAL ASSETS (Continued)**

|                                                         | Balance<br>7/1/2022 | Additions       | Deductions  | Balance<br>6/30/2023 |
|---------------------------------------------------------|---------------------|-----------------|-------------|----------------------|
| <b>Business-Type Activities:</b>                        |                     |                 |             |                      |
| <b>Capital Assets, being depreciated</b>                |                     |                 |             |                      |
| Furniture and Equipment                                 | \$ 329,181          | \$ 8,718        | \$ -        | \$ 337,899           |
| Less: Accumulated<br>Depreciation                       | (286,939)           | (5,049)         | -           | (291,988)            |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b>\$ 42,242</b>    | <b>\$ 3,669</b> | <b>\$ -</b> | <b>\$ 45,911</b>     |

Depreciation expense was charged to governmental functions as follows:

|                                             |                     |
|---------------------------------------------|---------------------|
| Instruction                                 | \$ 4,247,204        |
| Instructional Student Support               | 395,965             |
| Administration & Financial Support Services | 495,716             |
| Operation & Maintenance of Plant Services   | 493,945             |
| Pupil Transportation                        | 16,454              |
| Student Activities                          | 107,688             |
|                                             | <b>\$ 5,756,972</b> |

**NOTE 9 – UNEARNED REVENUE**

The amount of 'unearned revenue', as reflected on the government-wide statement of net position, is comprised of the following:

|                          | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES |
|--------------------------|----------------------------|-----------------------------|
| Federal Grants           | \$ 162,584                 | \$ -                        |
| Miscellaneous            | 56,222                     | -                           |
| Student Account Balances | -                          | 5,689                       |
|                          | <b>\$ 218,806</b>          | <b>\$ 5,689</b>             |

**NOTE 10 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION NOTES - SERIES OF 2011 (DIRECT BORROWING)**

On June 9, 2011, the Connellsville Area School District issued General Obligation Note (State Public School Building Authority) Series of 2011 in the amount of \$15,300,000. The proceeds from the note are for the complete renovation, including general construction, HVAC, plumbing, asbestos abatement, food service and pool construction at Connellsville Area High School and to pay the costs associated with issuance of the note. The note interest rate is 5.426% and is payable on September 1 and March 1 each year through maturity. The note is scheduled to mature on September 1, 2026.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**DEFAULT PROVISIONS – GENERAL OBLIGATION NOTES – SERIES OF 2011**

In the event of default, the School District will pay an amount equal to the sum of **1)** the outstanding amounts due under the Note, **2)** all other amounts which the School District is obligated to pay under the Note, and **3)** such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation the Authority, the Trustee, their agents and attorneys, and any expenses of liabilities incurred by the Authority or Trustee (or its assignee). In case the School District shall fail to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, including the exercise of remedies pursuant to the Local Government Unit Debt Act and may prosecute any such action or proceeding to judgement or final decree, and may enforce any such judgement or final decree against the School District and collect in the manner provided by law out of the property of the School District the money adjudged or decreed to be payable.

**GENERAL OBLIGATION BONDS – SERIES OF 2019**

In April of 2019 the Connellsville Area School District issued General Obligation Bonds, Series of 2019 in the amount of \$44,550,000. The proceeds from the bond issue will be used to **1)** refund the District's outstanding General Obligation Bonds, Series B of 2009, **2)** refund the District's outstanding General Obligation Bonds, Series A of 2014, **3)** fund various capital improvements throughout the District, and **4)** pay the costs associated with issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on February 15 and August 15 each year through maturity. Interest rates on the bonds range between 3% and 4%, with the bonds scheduled to mature on August 15, 2039. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES A OF 2019**

In August of 2019 the Connellsville Area School District issued General Obligation Bonds, Series A of 2019 in the amount of \$11,185,000. The proceeds from the bond issue will be used to **1)** currently refund the District's outstanding General Obligation Bonds, Series of 2012, **2)** fund various capital projects throughout the District, and **3)** pay the costs associated with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates on the bonds range between 2% and 2.25%, with the bonds scheduled to mature on May 15, 2033. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES OF 2020**

On July 13, 2020 the Connellsville Area School District issued General Obligation Bonds, Series of 2020 in the amount of \$20,120,000. The proceeds from the bond issue will be used to **1)** refund the District's outstanding General Obligation Bonds, Series of 2013, **2)** refund the District's outstanding General Obligation Bonds, Series A of 2013, and **3)** pay the costs associated with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. Interest rates on the bonds range between 2% and 4%, with the bonds scheduled to mature on November 15, 2037. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2021**

On September 30, 2021 the Connellsville Area School District issued General Obligation Bonds, Series of 2021 in the amount of \$15,895,000. The proceeds from the bond issue will be used to 1) acquire certain capital equipment that was previously leased to the District pursuant to an Equipment Lease Purchase Agreement date June 30, 2017 between the District and First Security Finance, Inc. and 2) pay the costs associated with the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 each year through maturity. The interest rate on the bonds is 4% with the bonds scheduled to mature on November 15, 2033. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**DEFAULT PROVISIONS – GENERAL OBLIGATION BONDS SERIES OF 2021**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Local Government Unit Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of Fayette County. The Act provides any judgement shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies described.

In connection with the District's various general obligation bond issues, the District entered into irrevocable trust agreements to purchase U.S. Government Securities in an amount sufficient to fully service prior years general obligation bond issues as they mature or are called. For financial reporting purposes, this debt is considered defeased and therefore removed as a liability from the District's financial statements.

The difference between the District's defeased debt and the reacquisition price (amounts deposited with escrow agent for refunding purposes) is considered 'deferred interest' and is being amortized over the life of the new bond issue. The remaining amount of deferred interest on refunding totaling \$1,707,333 is reflected as 'deferred outflows of resources' on the government-wide statement of net position. Total amortization for the 2022-2023 fiscal year was \$166,187 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District paid bond insurance premiums in connection with its General Obligation Bonds – Series of 2020 totaling \$40,053. These costs are being amortized on a straight-line basis over the life of the bond issue. The un-amortized amount of bond insurance premiums totaling \$33,216 is reflected as 'deferred outflows of resources' on the government-wide statement of net position. Total amortization for the 2022-2023 fiscal year was \$2,311 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District paid bond discount costs in connection with its various outstanding general obligation bond issues. These costs are being amortized on a straight-line basis over the life of the bond issues. The un-amortized amount of bond discount totaling \$315,187 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities' column on the government-wide statement of net position. Amortization expense on bond discount for the year ended June 30, 2023 was \$26,757. This amount was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

**CONNELLVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

The School District's various general obligation bond issues were issued at premiums which are being accreted as a component of interest expense on a straight-line basis over the life of the bond issues. The un-accreted amount of bond premiums totaling \$1,492,725 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities' column on the government-wide statement of net position. Premium accretion for the year ended June 30, 2023 was \$101,005. This amount was credited to the 'Interest on Long-Term Debt' expense category in the statement of activities.

A summary of the Connellsville Area School District's general obligation notes and bonds outstanding at June 30, 2023 is as follows:

| JUNE 30,  | PRINCIPAL           | INTEREST            | PRINCIPAL            | INTEREST             |
|-----------|---------------------|---------------------|----------------------|----------------------|
| 2024      | \$ 2,040,187        | \$ 830,178          | \$ 1,755,000         | \$ 1,253,019         |
| 2025      | 2,077,335           | 830,178             | 1,505,000            | 1,187,819            |
| 2026      | 2,121,542           | 830,178             | 1,615,000            | 1,125,419            |
| 2027      | 1,869,111           | 415,089             | 1,985,000            | 1,053,419            |
| 2028      | -                   | -                   | 2,070,000            | 972,319              |
| 2029-2033 | -                   | -                   | 10,675,000           | 3,985,166            |
| 2034-2038 | -                   | -                   | 13,405,000           | 2,279,918            |
| 2039-2040 | -                   | -                   | 7,520,000            | 236,875              |
|           | <b>\$ 8,108,175</b> | <b>\$ 2,905,623</b> | <b>\$ 40,530,000</b> | <b>\$ 12,093,954</b> |

| YEAR END<br>JUNE 30, | 2019A<br>PRINCIPAL   | 2019A<br>INTEREST   | 2020<br>PRINCIPAL    | 2020<br>INTEREST    | 2021<br>PRINCIPAL    | 2021<br>INTEREST    |
|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| 2024                 | \$ 75,000            | \$ 251,491          | \$ 450,000           | \$ 546,440          | \$ 730,000           | \$ 252,103          |
| 2025                 | 75,000               | 249,991             | 1,055,000            | 516,340             | 615,000              | 246,974             |
| 2026                 | 75,000               | 248,491             | 1,085,000            | 473,540             | 585,000              | 240,405             |
| 2027                 | 80,000               | 246,991             | 1,130,000            | 429,240             | 610,000              | 232,422             |
| 2028                 | 585,000              | 245,391             | 1,165,000            | 383,340             | 1,545,000            | 215,428             |
| 2029-2033            | 4,025,000            | 1,008,384           | 6,445,000            | 1,233,750           | 7,965,000            | 628,643             |
| 2034-2038            | 3,700,000            | 524,333             | 7,115,000            | 402,352             | 1,600,000            | 19,160              |
| 2039-2040            | 2,215,000            | 86,840              | -                    | -                   | -                    | -                   |
|                      | <b>\$ 10,830,000</b> | <b>\$ 2,861,912</b> | <b>\$ 18,445,000</b> | <b>\$ 3,985,002</b> | <b>\$ 13,650,000</b> | <b>\$ 1,835,135</b> |

The following represents the changes in long-term liabilities for the District's governmental and business-type activities during the 2022-2023 fiscal year:

|                                  | Balance<br>7/1/2022   | Additions           | Reductions          | Balance<br>6/30/2023  | Due Within<br>One Year |
|----------------------------------|-----------------------|---------------------|---------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b>  |                       |                     |                     |                       |                        |
| Direct Borrowings:               |                       |                     |                     |                       |                        |
| General Obligation Notes         | \$ 10,104,358         | \$ -                | \$ 1,996,183        | \$ 8,108,175          | \$ 2,040,187           |
| Financed Purchase Agreement      | 2,722                 | -                   | 2,722               | -                     | -                      |
| General Obligation Bonds         | 87,150,000            | -                   | 3,695,000           | 83,455,000            | 3,010,000              |
| Net Pension Liability            | 89,908,569            | 5,651,847           | -                   | 95,560,416            | -                      |
| Net OPEB Obligation              | 15,379,443            | -                   | 951,817             | 14,427,626            | -                      |
| Compensated Absences             | 2,465,798             | 445,619             | -                   | 2,911,417             | -                      |
|                                  | <b>\$ 194,906,532</b> | <b>\$ 6,097,466</b> | <b>\$ 6,645,722</b> | <b>\$ 204,462,634</b> | <b>\$ 5,050,187</b>    |
| <b>Business-Type Activities:</b> |                       |                     |                     |                       |                        |
| Net Pension Liability            | \$ 3,454,431          | \$ 217,153          | \$ -                | \$ 3,671,584          | \$ -                   |
| Net OPEB Obligation              | 199,356               | -                   | 47,545              | 151,811               | -                      |
|                                  | <b>\$ 3,653,787</b>   | <b>\$ 217,153</b>   | <b>\$ 47,545</b>    | <b>\$ 3,823,395</b>   | <b>\$ -</b>            |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – PENSION PLAN**

The Connellsville Area School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age.

Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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 contribution 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 that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 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.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

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

**Contributions**

**Member Contributions:**

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

| <b>Member Contribution Rates</b> |                                    |                                               |                             |                                              |
|----------------------------------|------------------------------------|-----------------------------------------------|-----------------------------|----------------------------------------------|
| <b>Membership Class</b>          | <b>Continuous Employment Since</b> | <b>Defined Benefit (DB) Contribution Rate</b> | <b>DC Contribution Rate</b> | <b>Total Contribution Rate</b>               |
| <b>T-C</b>                       | Prior to July 22, 1983             | 5.25%                                         | N/A                         | 5.25% / 6.25%                                |
| <b>T-C</b>                       | On or After July 22, 1983          | 6.25%                                         | N/A                         | 6.25%                                        |
| <b>T-D</b>                       | Prior to July 22, 1983             | 6.50%                                         | N/A                         | 6.50%                                        |
| <b>T-D</b>                       | On or after July 22, 1983          | 7.50%                                         | N/A                         | 7.50%                                        |
| <b>T-E</b>                       | On or after July 1, 2011           | 7.50% base rate with shared risk provision    | N/A                         | Prior to 7/1/21-7.50%<br>After 7/1/21-8.00%  |
| <b>T-F</b>                       | On or after July 1, 2011           | 10.30% base rate with shared risk provision   | N/A                         | Prior to 7/1/21-10.30%<br>After 7/1/21-10.8% |
| <b>T-G</b>                       | On or after July 1, 2019           | 5.50% base rate with shared risk provision    | 2.75%                       | Prior to 7/1/21-8.25%<br>After 7/1/21-9.00%  |
| <b>T-H</b>                       | On or after July 1, 2019           | 4.50% base rate with shared risk provision    | 3.00%                       | Prior to 7/1/21-7.50%<br>After 7/1/21-8.25%  |
| <b>DC</b>                        | On or after July 1, 2019           | N/A                                           | 7.50%                       | 7.50%                                        |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – PENSION PLAN (Continued)**

**Contributions (Continued)**

**Member Contributions: (Continued)**

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

**Employer Contributions**

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31%\* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,788,512 for the year ended June 30, 2023.

\*The defined contribution rate of 0.20% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan.

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

At June 30, 2023, the School District reported a liability of \$99,232,000 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 School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023 the School District's proportion was .2232% which was a decrease of .0042% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$6,931,454. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – PENSION PLAN (Continued)**

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

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between expected and actual experience               | \$ 45,000                         | \$ 858,000                       |
| Changes in assumptions                                          | 2,963,000                         | -                                |
| Net difference between projected and actual investment earnings | -                                 | 1,683,000                        |
| Changes in proportion                                           | -                                 | 2,149,000                        |
| Contributions subsequent to the measurement date                | 11,788,512                        | -                                |
|                                                                 | <b>\$ 14,796,512</b>              | <b>\$ 4,690,000</b>              |

The \$11,788,512 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement 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:

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amortization<br>Amount |
|-----------------------------------------------|---------------------------------------------|------------------------|
| 2023                                          | 2024                                        | \$ (556,000)           |
| 2024                                          | 2025                                        | (407,000)              |
| 2025                                          | 2026                                        | (3,070,000)            |
| 2026                                          | 2027                                        | 2,351,000              |

**Changes in 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 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – PENSION PLAN (Continued)**

**Changes in Actuarial Assumptions (Continued)**

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|-------------------------------------------------------|
| Global public equity | 28.0%                        | 5.30%                                                 |
| Private equity       | 12.0%                        | 8.00%                                                 |
| Fixed Income         | 33.0%                        | 2.30%                                                 |
| Commodities          | 9.0%                         | 2.30%                                                 |
| Infrastructure/MLP's | 9.0%                         | 5.40%                                                 |
| Real estate          | 11.0%                        | 4.60%                                                 |
| Absolute return      | 6.0%                         | 3.50%                                                 |
| Cash                 | 3.0%                         | 0.50%                                                 |
| Leverage             | -11.0%                       | 0.50%                                                 |
|                      | <u>100%</u>                  |                                                       |

The above table 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.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 11 – PENSION PLAN (Continued)**

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

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

|                                                                       | 1%<br>Decrease<br>6.00% | Current<br>Discount<br>Rate<br>7.00% | 1%<br>Increase<br>8.00% |
|-----------------------------------------------------------------------|-------------------------|--------------------------------------|-------------------------|
| School District's proportionate share of<br>the net pension liability | \$ 128,350,000          | \$ 99,232,000                        | \$ 74,682,000           |

**Pension plan fiduciary net position**

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

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

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

**Premium Assistance Eligibility Criteria**

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

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

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

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Plan Description**

Connellsville Area School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

**Benefits Provided**

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

**Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$256,198 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$4,103,000 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. At June 30, 2023, the District's proportion was 0.2229%, which is a decrease of .0044% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, Connellsville Area School District recognized OPEB expense of \$53,355. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

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

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between expected and actual experience               | \$ 38,000                         | \$ 22,000                        |
| Changes in assumptions                                          | 456,000                           | 969,000                          |
| Net difference between projected and actual investment earnings | 11,000                            | -                                |
| Changes in proportion                                           | 84,000                            | 198,000                          |
| Contributions subsequent to the measurement date                | 256,198                           | -                                |
|                                                                 | <b>\$ 845,198</b>                 | <b>\$ 1,189,000</b>              |

The \$256,198 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 for the measurement year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amortization<br>Amount |
|-----------------------------------------------|---------------------------------------------|------------------------|
| 2023                                          | 2024                                        | \$ (165,000)           |
| 2024                                          | 2025                                        | (72,000)               |
| 2025                                          | 2026                                        | (85,000)               |
| 2026                                          | 2027                                        | (131,000)              |
| 2027                                          | 2028                                        | (147,000)              |
| Thereafter                                    | Thereafter                                  | -                      |

**Actuarial Assumptions**

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

- Actuarial Cost Method – Entry Age Normal – level % of pay.
- Investment Return – 4.09% based on the S&P 20 Year Municipal Bond Rate.
- Salary Increases – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial Assumptions (Continued)**

- Mortality rates were based a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

The above table 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.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**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 Net OPEB Liability to Change in Healthcare Cost Trend Rates**

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

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

|                    | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|--------------------|------------------------|------------------------------------|------------------------|
| Net OPEB Liability | \$ 4,103,000           | \$ 4,103,000                       | \$ 4,103,000           |

**Sensitivity of the proportionate share of the Net OPEB liability to changes in the Discount Rate**

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

|                    | <b>1%<br/>Decrease<br/>3.09%</b> | <b>Current Discount<br/>Rate<br/>4.09%</b> | <b>1%<br/>Increase<br/>5.09%</b> |
|--------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Net OPEB Liability | \$ 4,640,000                     | \$ 4,103,000                               | \$ 3,654,000                     |

**OPEB plan fiduciary net position**

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The Connellsville Area School District provides for post-employment health care benefits to all eligible employees covered by specific collective bargaining agreements entered into between the District and its personnel. To be eligible, participants must have at least ten (10) years of continuous service in the Connellsville Area School District and be of normal retirement age as defined by the PSERS (Note 11).

The above program was established by the authority of The Connellsville Area School District Board of Education. The program entitles eligible employees to health care benefits (health insurance only) for varying terms which range between 4 and 8 years. Employees are responsible for reimbursing the District for the PSERS health benefit contribution and any premium share in effect at the date of retirement.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**Funding Policy**

The governmental fund financial statements account for these benefits on a pay-as-you-go basis and are budgeted for and paid from the School District's General Fund. During the 2021-2022 fiscal year, the Connellsville Area School District paid approximately \$292,194 in retiree health care costs, which includes \$7,182 from the Connellsville Area Career and Technical Center.

**Participant Data**

The July 1, 2020 valuation (projected to June 30, 2022), reflected the following participant data:

|                                           | <b>PARTICIPANT<br/>DATA</b> |
|-------------------------------------------|-----------------------------|
| <b>SCHOOL DISTRICT:</b>                   |                             |
| Active employees                          | 340                         |
| Inactives                                 | 39                          |
| Total                                     | <b>379</b>                  |
| <br><b>CAREER &amp; TECHNICAL CENTER:</b> |                             |
| Active employees                          | 28                          |
| Inactives                                 | 3                           |
| Total                                     | <b>31</b>                   |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Changes in the Total OPEB Liability**

The District's total OPEB liability of \$9,823,977 was measured as of July 1, 2022 and was determined by an actuarial valuation performed as of July 1, 2022. The July 1, 2022 valuation reflected the following change in total OPEB liability:

|                                                    | <b>SCHOOL<br/>DISTRICT</b> | <b>CAREER &amp;<br/>TECH CENTER</b> | <b>TOTAL</b>         |
|----------------------------------------------------|----------------------------|-------------------------------------|----------------------|
| <b>Balance at June 30, 2022</b>                    | <b>\$ 9,545,861</b>        | <b>\$ 644,938</b>                   | <b>\$ 10,190,799</b> |
| <b>Changes for the year:</b>                       |                            |                                     |                      |
| Service Cost                                       | 395,447                    | 31,480                              | 426,927              |
| Interest                                           | 346,488                    | 23,589                              | 370,077              |
| Changes of benefit terms                           | -                          | -                                   | -                    |
| Differences between expected and actual experience | (156,784)                  | (27,405)                            | (184,189)            |
| Changes of assumptions or other inputs             | -                          | -                                   | -                    |
| Benefit payments                                   | (307,035)                  | (20,142)                            | (327,177)            |
| Net Changes                                        | 278,116                    | 7,522                               | 285,638              |
| <b>Balance at June 30, 2023</b>                    | <b>\$ 9,823,977</b>        | <b>\$ 652,460</b>                   | <b>\$ 10,476,437</b> |

**Actuarial Assumptions**

- Actuarial Cost Method – Entry Age Normal Percentage of Pay
- Medical Inflation Rate – 6.5% increase in first year, 6% in the second year, decreasing by 0.5% per year to an ultimate rate of 5%
- Asset Valuation Method – Market Value
- Inflation – 2.6%
- Wage Inflation – 3%
- Salary Increases – 3.00% average, including inflation
- Investment Rate of Return – 3.65% (at 6/30/2023) and 3.54% (at 6/30/2022), per the Bond Buyer Municipal Bond Index AA
- Retirement Age – Eligible for unreduced PSERS benefit with 10 years
- Mortality – RP-2000 Combined Healthy with Scale BB

**OPEB Expense**

|                                   | <b>SCHOOL<br/>DISTRICT</b> | <b>CAREER &amp;<br/>TECH CENTER</b> | <b>TOTAL</b>      |
|-----------------------------------|----------------------------|-------------------------------------|-------------------|
| Service Cost                      | \$ 395,447                 | \$ 31,480                           | \$ 426,927        |
| Interest                          | 346,488                    | 23,589                              | 370,077           |
| Changes of benefit terms          | -                          | -                                   | -                 |
| Recognition of experience changes | (87,334)                   | (3,279)                             | (90,613)          |
| Recognition of assumption changes | (87,666)                   | (4,818)                             | (92,484)          |
| Benefit payments                  | -                          | -                                   | -                 |
| <b>OPEB Expense</b>               | <b>\$ 566,935</b>          | <b>\$ 46,972</b>                    | <b>\$ 613,907</b> |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

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

For the year ended June 30, 2022, Connellsville Area School District recognized OPEB expense of \$613,908. At June 30, 2023, the School District reports deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---------------------------------------------------|-------------------------------------------|------------------------------------------|
| <b>SCHOOL DISTRICT:</b>                           |                                           |                                          |
| Difference between expected and actual experience | \$ 585,172                                | \$ 1,304,760                             |
| Changes in assumptions                            | -                                         | 454,109                                  |
|                                                   | \$ 585,172                                | \$ 1,758,869                             |
| <b>CAREER &amp; TECHNICAL CENTER:</b>             |                                           |                                          |
| Difference between expected and actual experience | \$ 109,942                                | \$ 131,353                               |
| Changes in assumptions                            | -                                         | 23,174                                   |
|                                                   | \$ 109,942                                | \$ 154,527                               |
| <b>TOTAL</b>                                      | <b>\$ 695,114</b>                         | <b>\$ 1,913,396</b>                      |

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

| <b>Year ended<br/>June 30,</b> | <b>SCHOOL<br/>DISTRICT<br/>Amortization<br/>Amount</b> | <b>CAREER &amp;<br/>TECH CENTER<br/>Amortization<br/>Amount</b> | <b>TOTAL<br/>Amortization<br/>Amount</b> |
|--------------------------------|--------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------|
| 2024                           | \$ (175,000)                                           | \$ (8,097)                                                      | \$ (183,097)                             |
| 2025                           | (162,187)                                              | (8,097)                                                         | (170,284)                                |
| 2026                           | (130,817)                                              | (8,097)                                                         | (138,914)                                |
| 2027                           | (130,817)                                              | (5,078)                                                         | (135,895)                                |
| 2028                           | (130,817)                                              | (3,844)                                                         | (134,661)                                |
| 2029 and beyond                | (444,059)                                              | (11,372)                                                        | (455,431)                                |

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                                             | 1%<br>Decrease<br>2.65% | Discount<br>Rate<br>3.65% | 1%<br>Increase<br>4.65% |
|---------------------------------------------|-------------------------|---------------------------|-------------------------|
| Total OPEB Liability - School District      | \$ 10,634,697           | \$ 9,823,977              | \$ 9,070,153            |
| Total OPEB Liability - Career & Tech Center | 704,602                 | 652,460                   | 604,508                 |
| TOTAL                                       | <b>\$ 11,339,299</b>    | <b>\$ 10,476,437</b>      | <b>\$ 9,674,661</b>     |

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

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                                             | 1%<br>Decrease      | Trend<br>Rates       | 1%<br>Increase       |
|---------------------------------------------|---------------------|----------------------|----------------------|
| Total OPEB Liability - School District      | \$ 8,762,313        | \$ 9,823,977         | \$ 11,050,298        |
| Total OPEB Liability - Career & Tech Center | 585,743             | 652,460              | 730,119              |
| TOTAL                                       | <b>\$ 9,348,056</b> | <b>\$ 10,476,437</b> | <b>\$ 11,780,417</b> |

**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

**INTERMEDIATE UNIT 1**

The Connellsville Area School District participates with other local educational agencies located in Fayette, Washington, and Greene Counties in the Intermediate Unit 1 (IU1). The IU1 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for specific school districts located within the aforementioned tri-county region. The Intermediate Unit 1 is governed by a thirteen (13) member board appointed by the participating school districts on a rotating basis. The IU1 provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Board of Education of each participating school district approves the IU1 annual operating budget. The Connellsville Area School District's operating contribution to IU1 for the 2022-2023 year was \$36,681 through state subsidy withholdings during the 2022-2023 year. The Intermediate Unit 1 issues separate financial statements annually which can be obtained by contacting the IU1 directly.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 14 – RISK AND UNCERTAINTIES**

**GENERAL INSURANCE**

The Connellsville Area School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**HEALTH INSURANCE**

The Connellsville Area School District is one of sixty members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public-school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium by all member school districts totaled \$411,810,697 for the year ended June 30, 2023 with Connellsville Area School District contributing \$8,998,217 for the 2022-2023 fiscal year. This amount includes \$850,377 paid for the Connellsville Area Career and Technical Center.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year-end after withdrawal. As of June 30, 2023, the net position available for benefits of the Consortium was \$43,578,886, of which \$739,653 was attributable to the Connellsville Area School District. This amount includes \$69,904 attributable to Connellsville Area Career and Technical Center.

**STATE AND FEDERAL SUBSIDIES**

The Connellsville Area School District's state and federally funded programs are subject to program compliance audits by various governmental agencies. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm. The District is potentially liable for any expenditure disallowed by the results of these program compliance audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LEGAL MATTERS**

The Connellsville Area School District, in the normal course of operations, is party to various legal matters normally associated with school districts such as real estate tax assessment appeals, personnel wage and benefits, student education and athletics, construction projects, and other miscellaneous legal matters. The District is not aware of any current claims, litigation or assessments against the District that would be material and adversely impact the financial position of the District as of the date of this report.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were available to be issued, February 28, 2024, which is the date of the Independent Auditor's Report. Management has determined that there are no events subsequent to June 30, 2023 through the date of the financial statements that require additional disclosure.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CONNELLSVILLE AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 DEFINED BENEFIT PENSION PLAN  
 JUNE 30

| As of the measurement date of June 30,                                                             | 2022          | 2021          | 2020           | 2019           | 2018           | 2017           | 2016           | 2015           | 2014          | 2013          |
|----------------------------------------------------------------------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| District's proportion of the net pension liability                                                 | 0.2232%       | 0.2274%       | 0.2237%        | 0.2309%        | 0.2215%        | 0.2232%        | 0.2229%        | 0.2352%        | 0.2392%       | 0.2362%       |
| District's proportionate share of the net pension liability                                        | \$ 99,232,000 | \$ 99,363,000 | \$ 113,102,000 | \$ 108,021,000 | \$ 106,331,000 | \$ 110,435,000 | \$ 110,462,000 | \$ 101,878,000 | \$ 94,678,000 | \$ 95,218,000 |
| District's covered payroll                                                                         | \$ 32,782,298 | \$ 32,226,950 | \$ 32,317,633  | \$ 31,849,249  | \$ 29,832,952  | \$ 29,718,150  | \$ 28,302,833  | \$ 30,260,164  | \$ 30,526,874 | \$ 29,849,984 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 302.70%       | 289.70%       | 349.97%        | 339.16%        | 356.42%        | 370.93%        | 390.29%        | 336.67%        | 310.15%       | 318.99%       |
| Plan fiduciary net position as a percentage of the total pension liability                         | 61.34%        | 63.67%        | 54.32%         | 55.66%         | 54.00%         | 51.84%         | 50.14%         | 54.36%         | 57.24%        | 54.49%        |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

CONNELLSVILLE AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS  
 DEFINED BENEFIT PENSION PLAN  
 JUNE 30.

|                                                                     | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          |
|---------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contributions                                | \$ 11,788,512 | \$ 11,125,032 | \$ 10,803,294 | \$ 10,701,741 | \$ 10,216,651 | \$ 9,429,628  | \$ 8,169,861  | \$ 7,313,452  | \$ 6,333,271  | \$ 5,006,357  |
| Contribution in relation to the contractually required contribution | (11,788,512)  | (11,125,032)  | (10,803,294)  | (10,701,741)  | (10,216,651)  | (9,429,628)   | (8,169,861)   | (7,313,452)   | (6,333,271)   | (5,006,357)   |
| Contribution deficiency (excess)                                    | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered payroll                                          | \$ 34,319,186 | \$ 32,782,298 | \$ 32,226,950 | \$ 32,317,633 | \$ 31,849,249 | \$ 29,832,952 | \$ 29,718,150 | \$ 28,302,833 | \$ 30,260,164 | \$ 30,526,874 |
| Contributions as a percentage of covered payroll                    | 34.35%        | 33.94%        | 33.52%        | 33.11%        | 32.08%        | 31.61%        | 27.49%        | 25.84%        | 20.93%        | 16.40%        |

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

CONNELLSVILLE AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
PSERS PLAN  
JUNE 30.

| As of the measurement date of June 30,                                                          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          |
|-------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability                                                 | 0.2229%       | 0.2273%       | 0.2302%       | 0.2309%       | 0.2215%       | 0.2232%       | 0.2420%       |
| District's proportionate share of the net OPEB liability                                        | \$ 4,103,000  | \$ 5,388,000  | \$ 4,974,000  | \$ 4,911,000  | \$ 4,618,000  | \$ 4,548,000  | \$ 5,213,000  |
| District's covered payroll                                                                      | \$ 32,782,298 | \$ 32,226,950 | \$ 32,317,633 | \$ 31,849,249 | \$ 29,882,952 | \$ 29,718,150 | \$ 31,343,135 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 12.52%        | 16.72%        | 15.39%        | 15.42%        | 15.48%        | 15.30%        | 16.63%        |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 6.86%         | 5.30%         | 5.69%         | 5.56%         | 5.56%         | 5.73%         | N/A           |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year.

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

CONNELLSVILLE AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS  
 PSERS PLAN  
 JUNE 30.

|                                                                     | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          |
|---------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contributions                                | \$ 256,198    | \$ 260,692    | \$ 262,947    | \$ 268,743    | \$ 260,117    | \$ 246,585    | \$ 242,803    |
| Contribution in relation to the contractually required contribution | (256,198)     | (260,692)     | (262,947)     | (268,743)     | (260,117)     | (246,585)     | (242,803)     |
| Contribution deficiency (excess)                                    | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered payroll                                          | \$ 34,319,186 | \$ 32,782,298 | \$ 32,226,950 | \$ 32,317,633 | \$ 31,849,249 | \$ 29,832,952 | \$ 29,718,150 |
| Contributions as a percentage of covered payroll                    | 0.75%         | 0.80%         | 0.82%         | 0.83%         | 0.82%         | 0.83%         | 0.82%         |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

CONNELLSVILLE AREA SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
DISTRICT POST-RETIREMENT HEALTHCARE PLAN

JUNE 30.

|                                                         | <u>2023</u>         | <u>2022</u>         | <u>2021</u>          | <u>2020</u>          | <u>2019</u>         | <u>2018</u>         |
|---------------------------------------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| Service cost                                            | \$ 395,447          | \$ 495,188          | \$ 501,851           | \$ 382,557           | \$ 368,002          | \$ 408,098          |
| Interest                                                | 346,488             | 227,970             | 229,759              | 319,989              | 365,923             | 347,925             |
| Change of benefits terms                                | -                   | -                   | -                    | -                    | -                   | -                   |
| Differences between expected and actual experience      | (156,784)           | (1,093,777)         | (288,802)            | 730,685              | 309,256             | (340,651)           |
| Changes of assumptions or other inputs                  | -                   | -                   | -                    | -                    | (892,438)           | -                   |
| Benefit payments                                        | (307,035)           | (285,012)           | (271,610)            | (325,848)            | (630,433)           | (646,482)           |
| <b>Net Change in Total OPEB Liability</b>               | <b>\$ 278,116</b>   | <b>\$ (655,631)</b> | <b>\$ 171,198</b>    | <b>\$ 1,107,383</b>  | <b>\$ (479,690)</b> | <b>\$ (231,110)</b> |
| <b>Total OPEB Liability - Beginning of Year</b>         | <b>9,545,861</b>    | <b>10,201,492</b>   | <b>10,030,294</b>    | <b>8,922,911</b>     | <b>9,402,601</b>    | <b>9,633,711</b>    |
| <b>Total OPEB Liability - End of Year</b>               | <b>\$ 9,823,977</b> | <b>\$ 9,545,861</b> | <b>\$ 10,201,492</b> | <b>\$ 10,030,294</b> | <b>\$ 8,922,911</b> | <b>\$ 9,402,601</b> |
| Covered payroll                                         | \$ 24,291,846       | \$ 22,396,414       | \$ 24,987,323        | \$ 27,116,953        | \$ 25,147,607       | \$ 23,907,469       |
| Total OPEB liability as a percentage of covered payroll | 40.44%              | 42.62%              | 40.83%               | 36.99%               | 35.48%              | 39.33%              |

This schedule is intended to illustrate information for a ten (10) year period. Information for the ten-year period will be presented as information becomes available.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**CAREER AND TECHNICAL CENTER'S POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30,**

|                                                         | 2023              | 2022               | 2021              | 2020              | 2019              | 2018               |
|---------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| Service cost                                            | \$ 31,480         | \$ 33,184          | \$ 38,168         | \$ 26,040         | \$ 24,516         | \$ 21,855          |
| Interest                                                | 23,589            | 19,472             | 13,686            | 18,005            | 19,354            | 18,785             |
| Change of benefits terms                                | -                 | -                  | -                 | -                 | -                 | -                  |
| Differences between expected and actual experience      | (27,405)          | (116,988)          | 89,225            | 56,886            | 27,853            | (44,907)           |
| Changes of assumptions or other inputs                  | -                 | -                  | -                 | -                 | (47,263)          | -                  |
| Benefit payments                                        | (20,142)          | (7,182)            | (11,434)          | (5,031)           | (18,274)          | (27,744)           |
| <b>Net Change in Total OPEB Liability</b>               | <b>\$ 7,522</b>   | <b>\$ (71,514)</b> | <b>\$ 129,645</b> | <b>\$ 95,900</b>  | <b>\$ 6,186</b>   | <b>\$ (32,011)</b> |
| <b>Total OPEB Liability - Beginning of Year</b>         | <b>644,938</b>    | <b>716,452</b>     | <b>586,807</b>    | <b>490,907</b>    | <b>484,721</b>    | <b>516,732</b>     |
| <b>Total OPEB Liability - End of Year</b>               | <b>\$ 652,460</b> | <b>\$ 644,938</b>  | <b>\$ 716,452</b> | <b>\$ 586,807</b> | <b>\$ 490,907</b> | <b>\$ 484,721</b>  |
| Covered payroll                                         | \$ 1,877,961      | \$ 1,812,335       | \$ 1,836,306      | \$ 1,625,131      | \$ 1,625,858      | \$ 1,980,424       |
| Total OPEB liability as a percentage of covered payroll | 34.74%            | 35.59%             | 39.02%            | 36.11%            | 30.19%            | 24.48%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for the ten-year period will be presented as information becomes available.

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**NOTE 1 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR PSERS PENSION BENEFITS**

**Changes in Benefit Terms**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2022**

None

**Changes in Assumptions used in the Measurement of PSERS' Total Pension Liability Beginning June 30, 2021**

- Investment return went from 7.25% including inflation at 2.75% to 7.00% including inflation at 2.50%
- Salary growth rate decreased from 5.00% to 4.50%
- Real growth rate and merit or seniority increases (components for salary growth), decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively
- Mortality rates previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Changes in Benefit Terms**

None

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**NOTE 2 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

(Continued)

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2022**

- Investment return went from 2.18% S&P 20 Year Municipal Bond Rate to 4.09% S&P 20 Year Municipal Bond Rate
- The discount rate decreased from 2.18% to 4.09%

**Changes in Assumptions used in the Measurement of PSERS' Total OPEB Liability Beginning June 30, 2021**

- Investment return went from 2.66% S&P 20 Year Municipal Bond Rate to 2.18% S&P 20 Year Municipal Bond Rate
- Salary growth rate decreased from 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases to 4.50%, comprised of 2.50% and 2.00% for real wage growth and for merit or seniority increases
- 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 discount rate decreased from 2.66% to 2.18%

**Changes in Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

None

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The following actuarial methods and assumptions were used to determine contribution rates reported in the OPEB required supplementary schedules:

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

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

**NOTE 3 - FACTORS AND TRENDS USED IN THE ACTUARIAL VALUATION FOR THE RETIREE OPEB SCHOOL PLAN**

**Changes in Benefit Terms**

None

**Changes in Assumptions**

- Investment rate of return from 3.54% at 6/30/2022 to 3.65% at 6/30/2023.
- Medical inflation rate of 6.5% in the first year, 6% in the second year, decreasing by 0.5% per year to an ultimate rate of 5%.

**Actuarial Assumptions used in Calculations of Actuarially Determined Contributions**

The actuarial plan does not disclose actuarial assumptions, if applicable, used in the calculations of Actuarially Determined Contributions.

**CONNELLSVILLE AREA  
SCHOOL DISTRICT**

***OTHER INFORMATION  
AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Management and Board of Education  
Connellsville Area School District**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Connellsville Area School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Connellsville Area School District's basic financial statements, and have issued my report thereon dated February 28, 2024.

**Report on Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Connellsville Area School District'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.

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

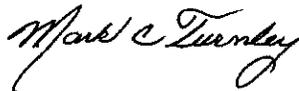
**Management and Board of Education  
Connellsville Area School District**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Connellsville Area School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Connellsville Area School District'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 Connellsville Area School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

February 28, 2024  
New Brighton, Pennsylvania

# **Mark C. Turnley**

Certified Public Accountant

1000 3<sup>rd</sup> Avenue  
New Brighton, Pennsylvania 15066  
(724) 384-1081  
FAX (724) 384-8908

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

To the Board of Education  
Connellsville Area School District

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

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

I have audited Connellsville Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Connellsville Area School District's major federal programs for the year ended June 30, 2023. Connellsville Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Connellsville Area School District complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

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

I am required to be independent of Connellsville Area School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Connellsville Area School District's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgement 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 Connellsville Area School District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Connellsville Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Connellsville Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I identified during the audit.

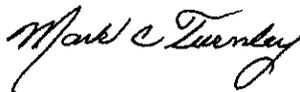
## **Report on Internal Control over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



Mark C. Turnley  
Certified Public Accountant

February 28, 2024  
New Brighton, Pennsylvania

CONNELLSVILLE AREA SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2022

| FEDERAL GRANTOR / PROJECT TITLE                                                      | FUNDING SOURCE | ASSISTANCE LISTING NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2022-2023 PASSED THROUGH TO SUBRECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (UNEARNED) REVENUE JULY 1 | REVENUE RECOGNIZED | EXPENDITURES  | ACCRUED (UNEARNED) REVENUE JUNE 30 |
|--------------------------------------------------------------------------------------|----------------|---------------------------|-----------------------------|--------------------------------------|----------------------|-------------------------------------------|----------------------------|-----------------------------------|--------------------|---------------|------------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION:</b>                                                 |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Passed through Pa. Department of Education:                                          |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Title I                                                                              | Indirect       | 84.010                    | 013-230089                  | 7/1/22-9/30/23                       | \$ 1,928,721         | \$ -                                      | \$ 1,285,843               | \$ 44,469                         | \$ 1,550,775       | \$ 1,550,775  | \$ 284,932                         |
| Title II - Improving Teacher Quality                                                 | Indirect       | 84.010                    | 013-230089                  | 7/1/21-9/30/22                       | 1,957,694            | -                                         | 785,927                    | 452,357                           | 333,570            | 333,570       | -                                  |
| Title II - Improving Teacher Quality                                                 | Indirect       | 84.357                    | 020-230089                  | 7/1/22-9/30/23                       | 213,429              | -                                         | 126,611                    | 213,429                           | 133,086            | 133,086       | 6,485                              |
| Title IV - Student Support & Academic Enrichment                                     | Indirect       | 84.357                    | 020-230089                  | 7/1/21-9/30/22                       | 222,012              | -                                         | 116,918                    | 42,740                            | 46,512             | 46,512        | (56,470)                           |
| Title IV - Student Support & Academic Enrichment                                     | Indirect       | 84.424                    | 144-230089                  | 7/1/21-9/30/22                       | 154,083              | -                                         | 71,953                     | 11,436                            | 60,448             | 60,448        | -                                  |
| COVID-19 - ARP ESSER III Fund Local                                                  | Indirect       | 84.424                    | 144-230089                  | 7/1/21-9/30/22                       | 7,566,119            | -                                         | 2,639,344                  | 2,364,923                         | 60,517             | 60,517        | -                                  |
| COVID-19 - ARP ESSER III Fund Local                                                  | Indirect       | 84.425D                   | 200-210059                  | 3/13/20-9/30/23                      | 15,334,069           | -                                         | 7,512,367                  | 5,013,601                         | 254,421            | 254,421       | (1)                                |
| COVID-19 - ARP ESSER 7% (Learning Loss)                                              | Indirect       | 84.425U                   | 225-210059                  | 3/13/20-9/30/24                      | 849,621              | -                                         | 314,162                    | 114,225                           | 5,013,601          | 5,013,601     | (1)                                |
| COVID-19 - ARP ESSER 7% (Summer School)                                              | Indirect       | 84.425U                   | 225-210059                  | 3/13/20-9/30/24                      | 189,924              | -                                         | 157,566                    | 78,881                            | 244,378            | 244,378       | (1)                                |
| COVID-19 - ARP ESSER 7% (After School)                                               | Indirect       | 84.425U                   | 224-210059                  | 3/13/20-9/30/24                      | 183,409              | -                                         | 35,165                     | (7,543)                           | 18,894             | 18,894        | (46,870)                           |
| COVID-19 - ARP ESSER (Homeless Children & Youth)                                     | Indirect       | 84.425W                   | 181-212102                  | 3/13/20-9/30/24                      | 56,055               | -                                         | 25,306                     | (4,469)                           | 52,026             | 52,026        | 16,981                             |
| Total passed through Pa. Department of Education                                     |                |                           |                             |                                      | \$ 19,023,315        | \$ -                                      | \$ 13,229,715              | \$ 6,578,188                      | \$ 7,905,374       | \$ 7,905,374  | \$ 1,259,847                       |
| Passed through Pa. Commission on Crime and Delinquency:                              |                |                           |                             |                                      | \$ 119,330           | \$ -                                      | \$ 30,536                  | \$ 13,282                         | \$ 17,254          | \$ 17,254     | \$ -                               |
| COVID-19 - ESSER I Fund Local                                                        | Indirect       | 84.425D                   | 2020-ES-01-35552            | 3/13/20-9/30/22                      | 119,330              | -                                         | 30,536                     | 13,282                            | 17,254             | 17,254        | -                                  |
| Total passed through Pa. Commission on Crime and Delinquency                         |                |                           |                             |                                      | \$ 119,330           | \$ -                                      | \$ 30,536                  | \$ 13,282                         | \$ 17,254          | \$ 17,254     | \$ -                               |
| Passed through Intermediate Unit 1 (Special Education Cluster):                      |                |                           |                             |                                      | \$ 1,117,691         | \$ -                                      | \$ 1,117,691               | \$ -                              | \$ 1,117,691       | \$ -          | \$ -                               |
| IDEA                                                                                 | Indirect       | 84.027                    | 062-23-0-001                | 7/1/22-9/30/23                       | 1,117,691            | -                                         | 439,173                    | 439,173                           | 3,986              | 3,986         | (1)                                |
| IDEA                                                                                 | Indirect       | 84.027                    | 062-22-0-001                | 7/1/21-9/30/22                       | 1,116,010            | -                                         | 439,173                    | 439,173                           | 1,121,687          | 1,121,687     | -                                  |
| IDEA - Section 619                                                                   | Indirect       | 84.173                    | N/A                         | 7/1/22-9/30/23                       | 3,996                | -                                         | 3,996                      | 3,996                             | 3,996              | 3,996         | -                                  |
| Total passed through Intermediate Unit 1 (Special Education Cluster)                 |                |                           |                             |                                      | \$ 2,237,697         | \$ -                                      | \$ 882,342                 | \$ 882,342                        | \$ 2,237,697       | \$ 2,237,697  | \$ -                               |
| TOTAL U.S. DEPARTMENT OF EDUCATION                                                   |                |                           |                             |                                      | \$ 21,380,342        | \$ -                                      | \$ 14,851,111              | \$ 7,020,643                      | \$ 9,044,315       | \$ 9,044,315  | \$ 1,259,847                       |
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>                                               |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Passed through Pa. Department of Education (Child Nutrition Program Cluster):        |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| National School Lunch Program                                                        | Indirect       | 10.585                    | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | \$ 2,090,944               | \$ -                              | \$ 2,090,944       | \$ 2,090,944  | (1)                                |
| Breakfast Program                                                                    | Indirect       | 10.583                    | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | 782,710                    | 782,710                           | 782,710            | 782,710       | (1)                                |
| Summer Food Service Program                                                          | Indirect       | 10.589                    | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | 36,646                     | 48,086                            | 48,086             | 48,086        | (1)                                |
| Summer Food Service Program                                                          | Indirect       | 10.589                    | N/A                         | 7/1/21-9/30/22                       | N/A                  | -                                         | 5,124                      | 5,124                             | 5,124              | 5,124         | 10,420                             |
| Supply Chain Assistance                                                              | Indirect       | 10.585                    | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | 126,411                    | (89,123)                          | 168,442            | 168,442       | (1)                                |
| SNP Emergency Operating Costs                                                        | Indirect       | 10.585                    | N/A                         | 7/1/21-9/31/22                       | N/A                  | -                                         | (1,055)                    | (1,055)                           | 168,442            | 168,442       | (1)                                |
| Total passed through Pa. Department of Education (Child Nutrition Program Cluster)   |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 3,057,835               | \$ (201,931)                      | \$ 3,057,835       | \$ 3,057,835  | \$ (148,489)                       |
| Passed through Pa. Department of Agriculture (Child Nutrition Program Cluster):      |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 228,520                 | \$ (155,173)                      | \$ 317,919         | \$ 317,919    | (1)                                |
| National School Lunch Program                                                        | Indirect       | 10.585                    | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | 228,520                    | (155,173)                         | 317,919            | 317,919       | (1)                                |
| Total passed through Pa. Department of Agriculture (Child Nutrition Program Cluster) |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 228,520                 | \$ (155,173)                      | \$ 317,919         | \$ 317,919    | (1)                                |
| Total Child Nutrition Program Cluster                                                |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 3,286,355               | \$ (357,104)                      | \$ 3,405,081       | \$ 3,405,081  | \$ (159,400)                       |
| Passed through Pa. Department of Education:                                          |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 3,135                   | \$ (1,055)                        | \$ 522             | \$ 522        | (3,678)                            |
| P-EBT Local Admin Funds                                                              | Indirect       | 10.649                    | N/A                         | 10/1/22-9/30/23                      | N/A                  | -                                         | 3,135                      | (1,055)                           | 522                | 522           | (3,678)                            |
| Total passed through Pa. Department of Education                                     |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 3,135                   | \$ (1,055)                        | \$ 522             | \$ 522        | (3,678)                            |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE                                                 |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 3,289,490               | \$ (358,159)                      | \$ 3,405,603       | \$ 3,405,603  | \$ (3,678)                         |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>                                 |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Passed through Pa. Department of Human Services:                                     |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Title 19                                                                             | Indirect       | 93.778                    | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | 8,203                      | 18,014                            | 24,276             | 24,276        | 16,073                             |
| Total passed through Pa. Department of Human Services                                |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 8,203                   | \$ 18,014                         | \$ 24,276          | \$ 24,276     | \$ 16,073                          |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES                                   |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 8,203                   | \$ 18,014                         | \$ 24,276          | \$ 24,276     | \$ 16,073                          |
| <b>U.S. DEPARTMENT OF DEFENSE:</b>                                                   |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Passed through Pa. Department of Defense:                                            |                |                           |                             |                                      |                      |                                           |                            |                                   |                    |               |                                    |
| Department of Army ROTC                                                              | Direct         | U00                       | N/A                         | 7/1/22-9/30/23                       | N/A                  | -                                         | 56,210                     | 6,924                             | 56,338             | 56,338        | 128                                |
| Department of Army ROTC                                                              | Direct         | U00                       | N/A                         | 7/1/21-9/30/22                       | N/A                  | -                                         | 63,134                     | 5,924                             | 56,338             | 56,338        | 128                                |
| TOTAL U.S. DEPARTMENT OF DEFENSE                                                     |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 119,344                 | \$ 12,848                         | \$ 112,676         | \$ 112,676    | \$ 256                             |
| TOTAL FEDERAL ASSISTANCE                                                             |                |                           |                             |                                      | \$ -                 | \$ -                                      | \$ 16,173,562              | \$ 6,697,622                      | \$ 12,524,532      | \$ 12,524,532 | \$ 1,058,101                       |

# Reconciliation with federal subsidy confirmation:  
 Per Above \$ 16,173,952  
 School Lunch/Breakfast Matching Subsidy 121,676  
 IDEA (1,560,860)  
 (228,520)  
 Donated Commodities 263,906  
 ACCESS (26,217)  
 Title 19 (20,048)  
 National School Lunch Refund (30,536)  
 COVID-19 - ESSER I Fund Local (63,134)  
 Department of Army ROTC  
 Per Confirmation \$ 16,630,119

\* Total USDA Commodity Received  
 \*\* Represents beginning inventory - 6/30/22  
 \*\*\* Represents ending inventory - 6/30/23  
 (1) Denotes Major Program  
 (2) To adjust supply chain assistance funds for updated unearned balance at 6/30/22  
 (3) To adjust SNP emergency operating costs assistance funds for updated unearned balance at 6/30/22  
 (4) To adjust P-EBT local admin funds assistance funds for updated unearned balance at 6/30/22

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2023**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Connellsville Area School District for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Connellsville Area School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable is included as part of 'due from other governments' in Exhibit A, Exhibit C, and Exhibit H as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in the above referenced Exhibits, and is referenced in Note 9 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Connellsville Area School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2022-2023 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

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

**CONNELLSVILLE AREA 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? \_\_\_yes    X\_no
- Significant deficiency(ies) identified? \_\_\_yes    X\_no

Noncompliance material to financial statements noted? \_\_\_yes    X\_no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X\_no
- Significant deficiency(ies) identified? \_\_\_yes    X\_no

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

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

Identification of major programs:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u>               |
|----------------------------------|---------------------------------------------------------|
| 84.425D                          | COVID-19 – ESSER II Fund Local                          |
| 84.425U                          | COVID-19 – ARP ESSER III Fund Local                     |
| 84.425U                          | COVID-19 – ARP ESSER 7% (Learning Loss)                 |
| 84.425U                          | COVID-19 – ARP ESSER 7% (Summer School)                 |
| 84.425U                          | COVID-19 – ARP ESSER 7% (After School)                  |
| 84.425U                          | COVID-19 – ARP ESSER 2.5%                               |
| 84.425W                          | COVID-19 – ARP ESSER (Homeless Children and Youth)      |
| 84.027                           | IDEA Section 611                                        |
| 84.173                           | IDEA Section 619                                        |
| 10.555                           | National School Lunch Program (Child Nutrition Cluster) |
| 10.555                           | Supply Chain Assistance (Child Nutrition Cluster)       |
| 10.553                           | School Breakfast Program (Child Nutrition Cluster)      |
| 10.559                           | Summer Food Program (Child Nutrition Cluster)           |

The dollar threshold for distinguishing type A and type B programs:

|                |                        |
|----------------|------------------------|
| Type A Program | \$750,000-\$25,000,000 |
| Type B Program | Less than \$750,000    |

Auditee qualified as low-risk auditee? \_\_\_yes    X\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**CONNELLSVILLE AREA SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2023**

The audit report of the Connellsville Area School District for the year ended June 30, 2022 dated February 15, 2023, contained no audit findings.