

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Loyalsock Township School District
Williamsport, Pennsylvania:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Loyalsock Township School District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 5, Budgetary Comparison Schedule - General Fund on page 48, Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan on page 49, Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability - Premium Assistance Program on page 50, Schedule of the District's Other Postemployment Benefits Plan Contributions - Premium Assistance Program on page 51, Schedule of the District's Proportionate Share of the Net Pension Liability on page 52, and Schedule of the District's Pension Plan Contributions on page 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Larson, Kellett & Associates, P.C.

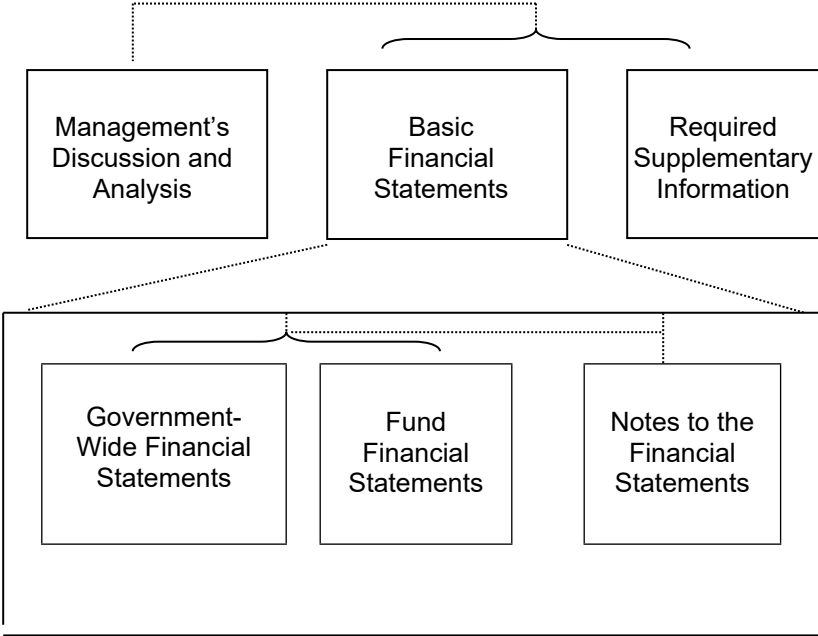
Montoursville, Pennsylvania
February 23, 2024

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

The Management's Discussion and Analysis (MD&A) of the Loyalsock Township School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of the MD&A is to provide user-friendly insight into management's analysis of the District's financial performance as a whole. Readers should also review the independent auditors' report, notes to the basic financial statements, and financial statements to increase their understanding of the District's financial performance.

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

**FIGURE A-1
Required Components of
LOYALSOCK TOWNSHIP SCHOOL DISTRICT'S
Financial Report**



LOYALSOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Loyalsock Township School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Governmental Funds	Fund Statements 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 – Scholarship Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of revenues, expenses, and 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/deferred outflows of resources/deferred inflows of resources/liability information	All assets, and deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, and short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities, and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows or resources, both financial and capital, and short-term and long-term	All assets, deferred outflows, liabilities, and deferred inflows of resources, 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

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Analysis of Overall Financial Position and Results of Operations Over the Past Fiscal Year

Governmental Activities - On **June 30, 2023**, the District's total net position from governmental activities was \$(355,497). At year end, the District's total net position of Governmental Activities increased by approximately \$5,391,000 from the previous year end.

The District continued to experience increases in the costs for regular instruction, healthcare, retirement benefits and special education instruction. Healthcare and retirement benefit increases continue to be a long term concern for the District. The Board of School Directors was able to balance the budget by increasing real estate taxes to 15.35 mills, (\$15.35 on each \$1,000 assessment) to the taxpayers.

Business - Type Activities - Food Service had total net position of \$871,698 as of **June 30, 2023**. At year end, the District's total net position of the business-type activities increased by approximately \$423,000 from the previous year end.

Table 1 summarizes the assets, liabilities, and net position of the District at **June 30, 2023**, and June 30, 2022

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current assets	\$ 21,282,389	\$ 1,239,534	\$ 22,521,923	\$ 29,954,906	\$ 1,099,717	\$ 31,054,623
Lease receivables, net	404,334		404,334			
Capital assets, net	38,635,042	489,007	39,124,049	28,132,212	264,526	28,396,738
Total assets	<u>\$ 60,321,765</u>	<u>\$ 1,728,541</u>	<u>\$ 62,050,306</u>	<u>\$ 58,087,118</u>	<u>\$ 1,364,243</u>	<u>\$ 59,451,361</u>
Deferred outflows of resources	<u>\$ 5,458,253</u>	<u>\$ 151,046</u>	<u>\$ 5,609,299</u>	<u>\$ 5,880,195</u>	<u>\$ 161,066</u>	<u>\$ 6,041,261</u>
Liabilities						
Current liabilities	\$ 6,343,040	\$ 36,694	\$ 6,379,734	\$ 6,415,597	\$ 53,056	\$ 6,468,653
Long-term liabilities	57,411,424	937,965	58,349,389	57,853,317	879,683	58,733,000
Total liabilities	<u>\$ 63,754,465</u>	<u>\$ 974,659</u>	<u>\$ 64,729,123</u>	<u>\$ 64,268,914</u>	<u>\$ 932,739</u>	<u>\$ 65,201,653</u>
Deferred inflows of resources	<u>\$ 2,381,051</u>	<u>\$ 33,230</u>	<u>\$ 2,414,281</u>	<u>\$ 5,445,184</u>	<u>\$ 144,245</u>	<u>\$ 5,589,429</u>
Net Position						
Net investment in capital assets	\$ 16,915,999	\$ 489,007	\$ 17,405,006	\$ 15,627,855	\$ 264,526	\$ 15,892,381
Restricted for capital projects	1,914,492		1,914,492	1,268,909		1,268,909
Unrestricted (deficit)	(19,185,988)	382,691	(18,803,297)	(22,643,549)	183,799	(22,459,750)
Total net position	<u>\$ (355,497)</u>	<u>\$ 871,698</u>	<u>\$ 516,201</u>	<u>\$ (5,746,785)</u>	<u>\$ 448,325</u>	<u>\$ (5,298,460)</u>

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Table 2 summarizes the revenues, expenses, and change in net position of the District for the years ended June 30, 2023 and 2022.

	2023			2022		
	Governmental Activities	Business - Type Activities	Total	Governmental Activities	Business - Type Activities	Total
Program Revenues:						
Charges for services	\$ 161,194	\$ 201,704	\$ 362,898	\$ 300,906	\$ 170,997	\$ 471,903
Operating grants and contributions	5,943,996	1,234,567	7,178,563	4,970,705	1,312,884	6,283,589
General Revenues:						
Property taxes	11,317,237		11,317,237	11,242,892		11,242,892
Local earned income						
Taxes levied	4,121,773		4,121,773	3,779,421		3,779,421
Real estate transfer tax	1,320,353		1,320,353	860,413		860,413
Other taxes levied	477,159		477,159	522,265		522,265
Grants and entitlements	5,175,998		5,175,998	4,461,900		4,461,900
Investment earnings	927,496	48,838	976,334	55,535	2,664	58,199
Miscellaneous	29,575		29,575	19,350		19,350
Total Revenues	29,474,781	1,485,109	30,959,890	26,213,387	1,486,545	27,699,932
Program Expenses:						
Instruction	13,867,227		13,867,227	13,153,185		13,153,185
Support Services:						
Instructional student support services	2,582,267		2,582,267	2,312,285		2,312,285
Administrative and financial services	2,423,431		2,423,431	2,411,971		2,411,971
Operation and maintenance of plant services	3,324,692		3,324,692	3,307,528		3,307,528
Pupil transportation	573,410		573,410	523,614		523,614
Community services	35,518		35,518	23,465		23,465
Student activities	692,169		692,169	573,001		573,001
Depreciation, unallocated	122		122	122		122
Interest and amortization on long-term debt	692,314		692,314	475,702		475,702
Food service		1,295,757	1,295,757		1,048,788	1,048,788
Total Expenses	24,191,150	1,295,757	25,486,907	22,780,873	1,048,788	23,829,661
Excess (deficiency) before transfers	5,283,631	189,352	5,472,983	3,432,514	437,757	3,870,271
Interfund transfers and capital contributions	(234,021)	234,021		(119,250)	119,250	
Gain (loss) on sale of real estate	331,715		331,715			
Gain (loss) on disposal of capital assets	9,963		9,963	13,945		13,945
Change in Net Position	\$ 5,391,288	\$ 423,373	\$ 5,814,661	\$ 3,327,209	\$ 557,007	\$ 3,884,216

Budgetary Variances

- ◆ Total General Fund Revenues exceeded the final budgeted revenues by approximately \$3,434,000 or 13.50%.
 - Budgetary estimates differed in the following areas:
 - Local revenues - The revenue from local sources exceeded the final budget by approximately \$2,145,000. Budget estimates vary in the following areas:
 - Earned Income Taxes - this amount exceeded our budget estimate by approximately \$782,000 due to continuing economic growth that outpaced our evaluations.
 - Real Estate Transfer Taxes - approximately \$770,000 over budget as more properties transferred ownership than expected during the 2022-2023 fiscal year, including the Loyal Plaza.
 - Earnings on Interest - approximately \$477,000 over budget due to increased interest rates for the District's General Fund account and certificates of deposit.
 - State revenues - The revenue from state sources was more than the final budget by approximately \$871,000. Budget estimates vary in the following areas:
 - Basic Education Funding - resulted in increased revenues of approximately \$298,000 over the final budget.
 - Pre-K Counts - resulted in increased revenues of approximately \$165,000 over the final budget.
 - Retirement Recovery - resulted in increased revenues of approximately \$242,000 over the final budget.
 - Federal revenues - The revenue from federal sources was more than the final budget by approximately \$419,000. Budget estimates vary in the following areas:
 - ESSER Funding - resulted in increased revenues of approximately \$622,000 over the final budget due to funds allocated toward the building project.
 - Med Assistance - revenues were less than our final budget by approximately \$224,000 as a result of the district choosing not to withdrawal med assistance money.
- ◆ Total General Fund Expenditures exceeded the final budgeted expenditures by approximately \$1,280,000 or 5.50%.
 - The District financed iPad purchases with Apple Computer in fiscal years 2019-2020 and 2022-2023. The total debt service payments to Apple Computer were approximately \$254,000 in the current year.
 - Capital outlay of \$941,845 consisted of ARP ESSER grant expenditures allocated for the building expansion projects.
 - The majority of the variances in expenditures occurred in the salary and benefits portion of the District's budget. Salaries and benefits are approximately 67% of the District's expenditures.
- ◆ Other Financing Uses, Net were lower the final budgeted other financing uses by approximately \$952,000 or 31.85%.
 - The District transferred \$500,000 to capital projects fund.
 - The District financed an iPad purchase with Apple Computer in 2022-2023. The total lease was valued at \$265,709.

**LOYALSOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

- The District sold its property at 1720 Sycamore Drive, Montoursville, PA, 17754 in the amount of \$1,200,000. This transaction was not included in the District's budget for the 2022-2023 school year.

Significant Capital Activity

During the **2022-2023** school year, the District had the following significant capital activity:

- ◆ The District had construction costs of approximately \$12,502,000 for building expansion projects. The projects were primarily financed through General Obligation Bonds, Series of 2021 and General Obligation Bonds, Series of 2022.
- ◆ During the 2023-2024 school year, the District will continue with the approved construction projects. The estimated cost to complete these projects is \$2,663,000.

Currently Known Facts, Decisions or Conditions:

Governmental Activities - The District approved a budget that will have no increase of taxes for the 2023-2024 school year. The District continues to benefit from growth and refinancing of bond issues during times of historically low interest rates. As the economy continues to recover from the COVID-19 Pandemic, local and state revenues are expected to slightly increase from the previous year. Additionally, the District has been receiving federal COVID relief funds to offset lost revenues from the pandemic. The relief funds will enable Loyalsock Township School District to continue being financially stable and allow the Board of Education and administration continue to provide quality education to our students at an affordable cost to our taxpayers.

The District has settled a contract with administrative personnel through June 30, 2027.

The Public School Employees Retirement System (PSERS) continues to project increased rates in employer contributions over the next several years. The District contributed a rate of 35.26% for the 2022-2023 school year. The rate for the 2023-2024 school year is 34.00%. The District has prepared for future rate increases if they occur and has currently committed \$2,595,000 of fund balance for future retirement expenditures.

Other than those issues listed in the MD&A or in the notes to the basic financial statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

Contacting The District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and show the Board and administration's accountability for the money it receives. If you have questions regarding this report or wish to request additional financial information, please contact Dan Egly, Business Manager, Loyalsock Township School District, 1605 Four Mile Drive, Williamsport, PA, 17701. (570) 326-6508.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 14,503,677	\$ 1,184,292	\$ 15,687,969
Investments	3,935,814		3,935,814
Taxes receivable, net	250,886		250,886
Due from other funds	1,662		1,662
Due from other governments	2,583,519	52,482	2,636,001
Current portion of lease receivable	6,831		6,831
Inventories		<u>2,760</u>	<u>2,760</u>
Total current assets	<u>21,282,389</u>	<u>1,239,534</u>	<u>22,521,923</u>
NONCURRENT ASSETS:			
Lease receivable, net	404,334		404,334
Capital assets, net	<u>38,635,042</u>	<u>489,007</u>	<u>39,124,049</u>
Total noncurrent assets	<u>39,039,376</u>	<u>489,007</u>	<u>39,528,383</u>
TOTAL ASSETS	<u>\$ 60,321,765</u>	<u>\$ 1,728,541</u>	<u>\$ 62,050,306</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding debt, net	\$ 53,686		\$ 53,686
Other postemployment benefits - district plan	161,048		161,048
Other postemployment benefits - premium assistance program	260,745	\$ 7,512	268,257
Pensions	<u>4,982,774</u>	<u>143,534</u>	<u>5,126,308</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,458,253</u>	<u>\$ 151,046</u>	<u>\$ 5,609,299</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Internal balances	\$ (13,465)	\$ 13,465	
Due to other governments	279,727		\$ 279,727
Accounts payable	604,514	2,178	606,692
Accrued salaries and benefits	2,698,837	2,050	2,700,887
Accrued interest payable	115,287		115,287
Payroll deductions and withholdings	98,738		98,738
Current portion of noncurrent liabilities	2,492,052		2,492,052
Unearned revenue	58,322	19,001	77,323
Other current liabilities	<u>9,028</u>		<u>9,028</u>
Total current liabilities	<u>6,343,040</u>	<u>36,694</u>	<u>6,379,734</u>
NONCURRENT LIABILITIES:			
Bonds payable, net	24,056,109		24,056,109
Accumulated compensated absences, net	310,439	17,521	327,960
Leases, net	129,109		129,109
Financed purchase obligations, net	88,892		88,892
Total other postemployment benefit liability - district plan	874,318		874,318
Net other postemployment benefit liability - premium assistance program	1,270,405	36,596	1,307,001
Net pension liability	<u>30,682,152</u>	<u>883,848</u>	<u>31,566,000</u>
Total noncurrent liabilities	<u>57,411,424</u>	<u>937,965</u>	<u>58,349,389</u>
TOTAL LIABILITIES	<u>\$ 63,754,464</u>	<u>\$ 974,659</u>	<u>\$ 64,729,123</u>
DEFERRED INFLOWS OF RESOURCES:			
Other postemployment benefits - district plan	\$ 825,348		\$ 825,348
Other postemployment benefits - premium assistance program	321,279	\$ 9,255	330,534
Pensions	832,306	23,975	856,281
Leases	<u>402,118</u>		<u>402,118</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,381,051</u>	<u>\$ 33,230</u>	<u>\$ 2,414,281</u>
NET POSITION:			
Net investment in capital assets	\$ 16,915,999	\$ 489,007	\$ 17,405,006
Restricted for capital projects	1,914,492		1,914,492
Unrestricted (deficit)	<u>(19,185,988)</u>	<u>382,691</u>	<u>(18,803,297)</u>
TOTAL NET POSITION	<u>\$ (355,497)</u>	<u>\$ 871,698</u>	<u>\$ 516,201</u>

See Notes to the Basic Financial Statements

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 13,867,227	\$ 58,044	\$ 2,897,316	\$ (10,911,867)		\$ (10,911,867)
Instructional student support services	2,582,267		934,029	(1,648,238)		(1,648,238)
Administrative and financial support services	2,423,431		336,387	(2,087,044)		(2,087,044)
Operation and maintenance of plant services	3,324,692	16,755	1,087,908	(2,220,029)		(2,220,029)
Pupil transportation	573,410		202,706	(370,704)		(370,704)
Student activities	692,169	86,395	63,866	(541,908)		(541,908)
Community services	35,518			(35,518)		(35,518)
Interest and amortization on long-term debt	692,314		421,784	(270,530)		(270,530)
Depreciation, unallocated *	122			(122)		(122)
Total governmental activities	24,191,150	161,194	5,943,996	(18,085,960)		(18,085,960)
BUSINESS-TYPE ACTIVITIES,						
Food service	1,295,757	201,704	1,234,567		\$ 140,514	140,514
TOTAL	\$ 25,486,907	\$ 362,898	\$ 7,178,563	(18,085,960)	140,514	(17,945,446)
GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS:						
General Revenues:						
Property taxes, levied for general purposes				11,317,237		11,317,237
Local earned income taxes levied				4,121,773		4,121,773
Real estate transfer tax				1,320,353		1,320,353
Other taxes levied, net				477,159		477,159
Grants, entitlements, and contributions not restricted to specific programs				5,175,998		5,175,998
Investment earnings				927,496	48,838	976,334
Miscellaneous income				29,575		29,575
Gain on disposition of capital assets				9,963		9,963
Special items,						
Gain on sale of real estate				331,715		331,715
Transfers				(234,021)	234,021	
TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS				23,477,248	282,859	23,760,107
CHANGE IN NET POSITION				5,391,288	423,373	5,814,661
NET POSITION, BEGINNING				(5,746,785)	448,325	(5,298,460)
NET POSITION, ENDING				\$ (355,497)	\$ 871,698	\$ 516,201

* This amount excludes the depreciation that is included in the direct expenses of the functions presented.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 6,961,061	\$ 7,542,616		\$ 14,503,677
Investments	3,935,814			3,935,814
Taxes receivable, net	250,886			250,886
Due from other funds	91,214			91,214
Due from other governments	2,583,519			2,583,519
Lease receivable	411,165			411,165
TOTAL ASSETS	<u>\$ 14,233,659</u>	<u>\$ 7,542,616</u>	<u>\$</u>	<u>\$ 21,776,275</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Due to other funds	\$ 76,087			\$ 76,087
Due to other governments	279,727			279,727
Accounts payable	85,106	\$ 519,408		604,514
Accrued salaries and benefits	2,698,837			2,698,837
Payroll deductions and withholdings	98,738			98,738
Unearned revenue	58,322			58,322
Other current liabilities	9,028			9,028
Total liabilities	<u>3,305,845</u>	<u>519,408</u>	<u></u>	<u>3,825,253</u>
DEFERRED INFLOWS OF RESOURCES:				
Leases	402,118			402,118
Unavailable revenue - delinquent property taxes	191,782			191,782
Total deferred inflows of resources	<u>593,900</u>	<u></u>	<u></u>	<u>593,900</u>
FUND BALANCES:				
Restricted, by law or regulation		7,023,208		7,023,208
Committed, for pension and other postemployment benefits	2,995,000			2,995,000
Assigned, for technology purchases	292,855			292,855
Unassigned	7,046,059			7,046,059
Total fund balances	<u>10,333,914</u>	<u>7,023,208</u>	<u></u>	<u>17,357,122</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 14,233,659</u>	<u>\$ 7,542,616</u>	<u>\$</u>	<u>\$ 21,776,275</u>

See Notes to the Basic Financial Statements

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES \$ 17,357,122

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

These assets consist of:

Land	1,124,408
Buildings, building improvements and land improvements	46,763,725
Furniture and equipment	11,973,301
Intangible right to use lease - furniture and equipment	248,138
Construction in progress	11,741,495
Accumulated depreciation	(33,216,025)

Deferred losses on refunding bonds are not current financial resources, and therefore, are not reported in the governmental funds balance sheet. 53,686

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

These liabilities consist of:

Accrued interest payable	(115,287)
Leases	(183,574)
Financed purchase obligations	(176,479)
Bonds payable in future years, net	(26,406,109)
Accumulated compensated absences	(310,439)
Total other postemployment benefit liability	(2,144,723)
Net pension liability	(30,682,152)

Deferred inflows and outflows of resources related to other postemployment benefits and pensions are not current financial resources, and therefore are not reported in the governmental funds balance sheet.

These deferrals consist of:

Other postemployment benefits	(724,834)
Pensions	4,150,468

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the governmental funds balance sheet. 191,782

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (355,497)

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

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local sources	\$18,517,760	\$ 500,939		\$19,018,699
State sources	8,599,462			8,599,462
Federal sources	<u>1,748,807</u>			<u>1,748,807</u>
Total revenues	<u>28,866,029</u>	<u>500,939</u>		<u>29,366,968</u>
EXPENDITURES:				
Current:				
Instruction	14,862,488			14,862,488
Support services	7,634,098	19,635		7,653,733
Noninstructional services	783,444	44,595		828,039
Capital outlay	941,845	11,565,441		12,507,286
Debt service (principal and interest)	<u>321,192</u>		<u>\$ 3,036,393</u>	<u>3,357,585</u>
Total expenditures	<u>24,543,067</u>	<u>11,629,671</u>	<u>3,036,393</u>	<u>39,209,131</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,322,962</u>	<u>(11,128,732)</u>	<u>(3,036,393)</u>	<u>(9,842,163)</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	1,198,600			1,198,600
Interfund transfers in		500,000	3,036,393	3,536,393
Interfund transfers out	(3,536,393)	(234,021)		(3,770,414)
Proceeds from extended term financing	371,619			371,619
Refund prior year revenue	<u>(69,373)</u>			<u>(69,373)</u>
Total other financing sources (uses)	<u>(2,035,547)</u>	<u>265,979</u>	<u>3,036,393</u>	<u>1,266,825</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,287,415	(10,862,753)		(8,575,338)
FUND BALANCES, BEGINNING	<u>8,046,499</u>	<u>17,885,961</u>		<u>25,932,460</u>
FUND BALANCES, ENDING	<u>\$10,333,914</u>	<u>\$ 7,023,208</u>	<u>\$</u>	<u>\$17,357,122</u>

See Notes to the Basic Financial Statements

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$(8,575,338)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense, net of deletions, in the current period. 10,502,829

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. (42,187)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 2,357,468

Repayment of lease and financed purchase obligations principal is an expenditure in the governmental funds; however, leases and notes payable entered into during the year increase long-term liabilities and the repayment reduces long-term liabilities in the statement of net position. (77,928)

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid).

These expenses consist of:

Compensated absences and special termination benefits	(99,101)
Other postemployment benefit related costs	(78,742)
Pension related costs	1,390,176

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. 14,111

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,391,288

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	Food Service Fund
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$1,184,292
Due from other funds	76,087
Due from other governments	52,482
Inventories	<u>2,760</u>
Total current assets	<u>1,315,621</u>
NONCURRENT ASSETS,	
Capital assets, net	<u>489,007</u>
TOTAL ASSETS	<u>\$1,804,628</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Other postemployment benefits - premium assistance program	\$ 7,512
Pensions	<u>143,534</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 151,046</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 2,178
Accrued salaries and benefits	2,050
Due to other funds	89,552
Unearned revenue	<u>19,001</u>
Total current liabilities	<u>112,781</u>
NONCURRENT LIABILITIES:	
Accumulated compensated absences, net	17,521
Net other post employment benefit liability - premium assistance program	36,596
Net pension liability	<u>883,848</u>
Total noncurrent liabilities	<u>937,965</u>
TOTAL LIABILITIES	<u>\$1,050,746</u>
DEFERRED INFLOWS OF RESOURCES:	
Other postemployment benefits - premium assistance program	\$ 9,255
Pensions	<u>23,975</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 33,230</u>
NET POSITION:	
Net investment in capital assets	\$ 489,007
Unrestricted	<u>382,691</u>
TOTAL NET POSITION	<u>\$ 871,698</u>

See Notes to the Basic Financial Statements

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

	Food Service Fund
OPERATING REVENUES,	
Food service revenue	<u>\$ 201,704</u>
OPERATING EXPENSES:	
Salaries	384,472
Employee benefits	149,323
Purchased property services	5,799
Other purchased services	5,336
Supplies	721,581
Depreciation	27,179
Dues and fees	<u>2,067</u>
Total operating expenses	<u>1,295,757</u>
OPERATING LOSS	<u>(1,094,053)</u>
NONOPERATING REVENUES:	
Earnings on investments	48,838
State sources	180,435
Federal sources	<u>1,054,132</u>
Total nonoperating revenues	<u>1,283,405</u>
INCOME BEFORE TRANSFERS	189,352
TRANSFERS IN	<u>234,021</u>
CHANGE IN NET POSITION	423,373
NET POSITION, BEGINNING	<u>448,325</u>
NET POSITION, ENDING	<u>\$ 871,698</u>

See Notes to the Basic Financial Statements

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 186,557
Payments to suppliers for goods and services	(603,060)
Payments to employees	(569,361)
Payments for other operating expenditures	<u>(2,069)</u>
Net cash used by operating activities	<u>(987,933)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	164,799
Federal sources	<u>928,716</u>
Net cash provided by noncapital financing activities	<u>1,093,515</u>
CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES,	
Purchase of equipment	<u>(17,638)</u>
CASH PROVIDED BY INVESTING ACTIVITIES,	
Earnings on investments	<u>48,838</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	136,782
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,047,510</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,184,292</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	<u>\$ (1,094,053)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	27,179
Amortization	98,852
Donated commodities	126,272
Change in:	
Due to/from other funds	14,491
Inventories	1,420
Other postemployment benefits - premium assistance program deferred outflows of resources	(359)
Pension deferred outflows of resources	(104,695)
Accounts payable	2,178
Accrued salaries and benefits	(7,344)
Compensated absences	(1,246)
Unearned revenue	(15,362)
Net other postemployment benefit liability - premium assistance program	(10,416)
Net pension liability	69,944
Other postemployment benefits - premium assistance program deferred inflows of resources	8,055
Pension deferred inflows of resources	<u>(102,849)</u>
Total adjustments	<u>106,120</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (987,933)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES,	
The District received \$125,842 of food commodities.	
NONCASH CAPITAL FINANCING ACTIVITIES,	
Capital Projects Fund transferred \$234,021 of equipment to Food Service Fund.	

See Notes to the Basic Financial Statements

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Scholarship Trust Funds	Custodial Funds
ASSETS:		
Cash	\$ 60,308	\$ 126,759
Other receivable	<u>196</u>	<u> </u>
TOTAL ASSETS	<u>\$ 60,504</u>	<u>\$ 126,759</u>
LIABILITIES AND NET POSITION:		
LIABILITIES:		
Due to other funds		\$ 1,662
Accounts payable	<u> </u>	<u>2,869</u>
Total liabilities	<u> </u>	<u>4,531</u>
NET POSITION:		
Restricted for scholarships	\$ 60,504	
Restricted for student activities	<u> </u>	<u>122,228</u>
Total net position	<u>60,504</u>	<u>122,228</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 60,504</u>	<u>\$ 126,759</u>

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Scholarship Trust Funds	Custodial Funds
ADDITIONS:		
Gifts and contributions	\$ 17,375	
Investment income	71	
Student activities receipts	<u> </u>	<u>\$ 140,454</u>
Total additions	<u>17,446</u>	<u>140,454</u>
DEDUCTIONS:		
Scholarships awarded	18,300	
Other deductions	391	
Student activities disbursements	<u> </u>	<u>123,138</u>
Total deductions	<u>18,691</u>	<u>123,138</u>
CHANGE IN NET POSITION	(1,245)	17,316
NET POSITION, BEGINNING	<u>61,749</u>	<u>104,912</u>
NET POSITION, ENDING	<u>\$ 60,504</u>	<u>\$ 122,228</u>

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Loyalsock Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criterion for including a potential component unit within the reporting entity is the significance of their operational or financial relationship with the District. Based upon the application of this criterion, the reporting entity will consist solely of the accounts and funds of the District.

Fund Accounting

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

GOVERNMENTAL FUNDS

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund

This fund is used to account for and report all financial resources not accounted for and reported in another fund. The fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Projects Fund

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund

This fund is used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

PROPRIETARY FUND

Enterprise Fund

This fund (food service fund) is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Custodial Funds

These funds are used to account for assets held by the District in a trustee capacity or as a custodian for individuals. These assets associated with the custodial funds are held for the benefit of student groups where the District does not have administrative or direct financial involvement with the assets and the assets are not derived from the District providing goods or services to the students.

Basis of Presentation and Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

extent to which each business segment or government function is self-financing or draws from the general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if applicable, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers delinquent real estate taxes and derived tax revenues to be available if they are collected within 60 days and 30 days of the end of the fiscal period, respectively. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund is accounted for using the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses which generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

operations. Operating expenses for the proprietary funds include the cost of personal and contracted services, supplies, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting.

Budgetary Procedures and Budgetary Accounting

An operating budget is adopted in each year for the general fund on the modified accrual basis of accounting.

At the fund level, actual expenses cannot exceed budgeted appropriations; however, with proper approval of the Board, budgetary transfers can be made. The budgetary comparison schedule presented in this report reflects the final budget authorization, including all amendments and budgetary transfers.

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

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once, in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorized the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.
- Included in the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program by program basis by the state or federal funding agency.
- Capital budgets are not established for capital improvements and capital projects in the capital projects fund. Additionally, all transactions of the capital projects fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.
- The District does not adopt a formal budget for the proprietary fund and debt service fund.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. As of June 30, 2023, the District had no outstanding encumbrances. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the fund financial statements. A reserve for encumbrances is not reported on the government-wide financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market fund and liquid asset funds (Pennsylvania Local Government Investment Trust), carried at cost.

The District pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Investments

Investments held in governmental funds consist of certificates of deposit stated at cost which approximates fair value. For purposes of determining realized gain or loss on sale, the cost of securities sold is determined by using the specific identification method. The fair value of investments is estimated based on bid quotations received from securities dealers.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs (See Note 3).

Interfund Receivables and Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Expenses

Prepaid expenses represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

Inventories

Proprietary fund food inventories of \$2,760 include \$440 of food commodities donated by the federal government, which are valued at fair value. All other food or supply

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inventories are valued at the lower of cost (first-in, first-out method) or fair value and are expensed as consumed.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

Taxes Receivable

Taxes receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion expected to be uncollectible. Taxes which become payable during fiscal year 2023 and are uncollected as of June 30, 2023 are recorded as taxes receivable in the government-wide financial statements, net of amounts estimated to be uncollectible. Management estimates the adequacy of the allowance for uncollectible taxes receivable based upon the historical experience in collecting these taxes. There was no allowance for uncollectible taxes receivable as of June 30, 2023.

Capital Assets

Capital assets, which includes land and improvements, buildings and building improvements, furniture and equipment, including right-to-use assets, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. The District defines capital assets as assets which have an original cost of \$2,500 or more and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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

Land improvements	20 years
Buildings and building improvements	20-50 years
Furniture and equipment (including right-to-use assets)	5-20 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' and business-type activities' statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is expensed over the life of the related debt. Other bond issuance costs are expensed in the period incurred.

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

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The District enters into financed purchase agreements for certain equipment. These agreements transfer ownership of the underlying asset to the District by the end of the contract. The District reports a financed purchase obligation and the underlying capital asset on its government-wide and proprietary fund financial statements, where applicable. In the governmental funds, the District recognizes proceeds from extended term financing and a capital outlay at the initiation of the agreement, and an outflow of resources as lease payments are made during the term of the agreement.

Leases

The District leases certain equipment from other entities and therefore is a lessee under the terms of these arrangements. As a lessee, the District reports a lease liability and an intangible right-to-use asset (known as the lease asset) on its government-wide and proprietary fund financial statements, where applicable. In the governmental fund financial statements, the District recognizes proceeds from extended term financing and a capital outlay at the initiation of the lease, and an outflow of resources as lease payments are made during the lease term.

The District leases real estate to another entity and therefore is a lessor under the terms of this arrangement. As a lessor, the District reports a lease receivable and a deferred inflow of resources on its governmental fund and government-wide financial statements, where applicable. As lease payments are received during the lease term, the District reduces the lease receivable, and recognizes interest revenue and an inflow of resources (rent revenue) in a systematic and rational manner. Leases receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion expected to be uncollectible. Management estimates the adequacy of the allowance for uncollectible leases receivable based upon the historical experience in collecting lease payments. No allowance was recorded at June 30, 2023.

Bond Premium, Discount and Amortization

The premiums recognized upon the issuance of the 2017, 2020, 2021, and 2022 bonds are being amortized utilizing the straight-line method, over the life of the bonds. The premium has been capitalized and included in bonds payable in the accompanying statement of net position. The premium included in amortization expense included in the statement of activities amounted to \$98,285 for the year ended June 30, 2023.

Loss on Refinancing and Amortization

The loss recognized on the refinancing of Series 2012A and 2014 bonds is being amortized utilizing the straight-line method over the life of the bonds. The loss has been capitalized as a deferred outflow of resources in the accompanying statement of net position. Amortization expense included in the statement of activities amounted to \$50,818 for the year ended June 30, 2023.

Fund Equity

In the governmental fund financial statements, the fund balance amounts are classified based on the level of constraint placed upon funds, as follows:

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- *Nonspendable* - fund balance that cannot be spent because it is not in spendable form such as inventories, prepaids and long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned).
- *Restricted* - fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - fund balance includes amounts that can be used only for the specific purposes determined by formal action of the Board of School Directors.
- *Assigned* - fund balance includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The finance committee of the Board of School Directors has the authority to assign a fund balance.
- *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Unrestricted net position for proprietary funds represent the net position available for future distribution.

The District has formally adopted a minimum fund balance policy for the general fund. The policy states that if the unassigned general fund balance is below six percent of budgeted expenditures, the Board must use any available fund balance first to re-establish unassigned fund balance back to six percent of the budgeted expenditures for that fiscal year when any of these amounts are available for expenditure.

Fund Balance Flow Assumptions

The District's policy is to first apply restricted fund balance, then committed, assigned, and unassigned, respectively when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

Net Position

In the government-wide financial statements, net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings or deferred inflows of resources used for the acquisition, construction or improvement of those assets and increased by any related deferred outflows of resources.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used.

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Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, as appropriate. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (i.e. expense) until that time.

In addition to liabilities, the statement of net position and governmental funds balance sheet report a separate section for deferred inflows of resources, as appropriate. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of resources that applies to future periods and so will *not* be recognized as an inflow of resources (i.e. revenue) until that time.

Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose with both restricted and unrestricted resources. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The District's financial instruments consist of cash and cash equivalents, investments, taxes and other receivables, accounts payable and noncurrent liabilities. The carrying value of these financial instruments approximates their fair values at June 30, 2023.

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Cash Flows

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

Recent Accounting Standards to be Adopted

GASB issued the following pronouncements:

- Statement No. 99, *Omnibus 2022*, effective in different parts for the fiscal years beginning after June 15, 2022 and June 15, 2023.
- Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for fiscal years beginning June 15, 2023.
- Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023.

The District has not determined the effect on the financial statements due to adoption of these statements.

2. CASH AND CASH EQUIVALENTS:

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 policy for custodial credit risk.

As of June 30, 2023, \$4,985,123 of the District's bank balance of \$7,170,937 was exposed to custodial credit risk as follows:

Collateralized with securities held by the pledging financial institution	<u>\$4,985,123</u>
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Reconciliation to Financial Statements

Collateralized with securities held by the pledging financial institution amount above	\$ 4,985,123
Plus insured amount	2,185,814
Less outstanding checks	<u>(86,485)</u>
Carrying amount	7,084,452
Plus petty cash	169
Plus pooled cash equivalents in:	
General Fund	2,084,096
Capital Projects Fund	7,542,616
Food Service Fund	1,099,517
Less nonnegotiable certificates of deposit considered investments by school code	<u>(1,935,814)</u>
Total cash and cash equivalents per financial statements	<u>\$15,875,036</u>

3. INVESTMENTS:

State statutes authorize the District to invest in obligations of the U.S. treasury, agencies and instrumentalities of the U.S. government, deposits in savings accounts, certificates of deposit, the Pennsylvania Local Government Investment Trust (PLGIT), commercial paper, bankers' acceptances, negotiable certificates of deposit, and

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insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

As of June 30, 2023, investments consist of the following:

<u>Description</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PLGIT	N/A	\$10,683,161		\$10,683,161	
Negotiable certificates of deposit	1-3 years	2,000,000		2,000,000	
Government money market fund	N/A	<u>43,068</u>		<u>43,068</u>	
Total		<u>\$12,726,229</u>	<u>\$</u>	<u>\$12,726,229</u>	<u>\$</u>

PLGIT is a common law trust organized to provide Pennsylvania school districts with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Shares may be withdrawn at any time. Portfolio securities are valued at amortized cost, which approximates fair value as of June 30, 2023. PLGIT may invest in any securities authorized by Section 440.1 of the Pennsylvania School Code. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

Government money market fund consists of the Federated Hermes Government Obligations Tax-Managed Fund. The fund is registered under the Investment Company Act of 1940 as an open-end management investment company. The fund invests primarily in short-term U.S. Treasury and government agency securities, seeking to maintain a net asset value of \$1 per share. Shares may be withdrawn at any time. Portfolio securities are valued at amortized cost, which approximates fair value as of June 30, 2023.

Interest Rate Risk

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

Credit Risk

The District does not have a formal investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the investments were rated as follows:

<u>Description</u>	<u>Standard & Poor's</u>
PLGIT	AAA
Government money market fund	AAA
Certificates of deposit	Not applicable

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District has no investments subject to concentration of credit risk.

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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 has no investments subject to custodial credit risk.

Reconciliation to Financial Statements

Total investments above	\$ 12,726,229
Less deposit in investments pool considered cash equivalents	(10,726,229)
Plus certificates of deposit considered investments by school code	<u>1,935,814</u>
Total investments per financial statements	<u>\$ 3,935,814</u>

4. REAL ESTATE TAXES:

The tax on real estate, as levied by the School Board, was 15.35 mills (\$15.35 per \$1,000 of assessed valuation) for fiscal year 2023. The original assessed value at July 1, 2022, upon which the 2023 levy was based, was \$770,911,630. Assessed valuations of property are determined by Lycoming County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy Date
July 1 - August 31	2% Discount Period
September 1 - October 31	Face Payment Period
November 1 - December 31	10% Penalty Period
January 1	Lien Date

Current tax collections for the year ended June 30, 2023 were 98.21% of the tax levy. Estimated collectible delinquent real estate taxes at June 30, 2023 amounted to \$250,886.

5. INTERFUND BALANCES:

As of June 30, 2023, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$ 91,214	\$ 76,087
Food Service Fund	76,087	89,552
Custodial Funds	<u> </u>	<u>1,662</u>
Total	<u>\$167,301</u>	<u>\$167,301</u>

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6. DUE FROM OTHER GOVERNMENTS:

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

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal	\$1,026,304	\$45,711	\$1,072,015
State	1,055,911	6,771	1,062,682
Local	<u>501,304</u>	<u> </u>	<u>501,304</u>
Total	<u>\$2,583,519</u>	<u>\$52,482</u>	<u>\$2,636,001</u>

7. LEASE RECEIVABLE:

A summary of lease receivable is as follows:

<u>Lease</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Land	\$411,165	<u>\$16,755</u>	<u>\$17,392</u>
Less amounts due in one year	<u>6,831</u>		
Noncurrent portion of lease receivable	<u>\$404,334</u>		

The District leases land for a cellular tower to another entity with lease terms from July 2022 to March 2047 at an interest rate of 3.35%. The District uses U.S. Treasury Securities - Constant Maturities rates, as published by the Board of Governors of the Federal Reserve System, to determine the present value of lease payments at lease commencement. There are no significant variable rent payments, residual value guarantees, or termination penalties. The lease includes four renewal options for 5 years each which the District has determined the lessee is reasonably certain to exercise, and have been included in the measurement of the lease receivable.

8. CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated				
Land	\$ 1,197,275		\$ (72,867)	\$ 1,124,408
Construction in progress	<u>2,224,930</u>	<u>\$ 9,516,565</u>	<u> </u>	<u>11,741,495</u>
Total capital assets, not being depreciated	<u>3,422,205</u>	<u>9,516,565</u>	<u>(72,867)</u>	<u>12,865,903</u>

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	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, being depreciated:				
Land improvements	\$ 2,707,662			\$ 2,707,662
Buildings and building improvements	42,155,140	\$ 2,864,142	\$ (963,219)	44,056,063
Furniture and equipment	11,382,251	652,224	(61,174)	11,973,301
Intangible right to use lease - furniture and equipment	<u>146,313</u>	<u>101,825</u>	<u> </u>	<u>248,138</u>
Total capital assets, being depreciated	<u>56,391,366</u>	<u>3,618,191</u>	<u>(1,024,393)</u>	<u>58,985,164</u>
Less accumulated depreciation and amortization:				
Land improvements	(1,302,609)	(126,233)		(1,428,842)
Buildings and building improvements	(20,268,087)	(1,129,422)	179,801	(21,217,708)
Furniture and equipment	(10,083,619)	(480,386)	60,537	(10,503,468)
Intangible right to use lease - furniture and equipment	<u>(27,044)</u>	<u>(38,963)</u>	<u> </u>	<u>(66,007)</u>
Total accumulated depreciation and amortization	<u>(31,681,359)</u>	<u>(1,775,004)</u>	<u>240,338</u>	<u>(33,216,025)</u>
Total capital assets, being depreciated, net	<u>24,710,007</u>	<u>1,843,187</u>	<u>(784,055)</u>	<u>25,769,139</u>
Governmental activities capital assets, net	<u>\$28,132,212</u>	<u>\$11,359,752</u>	<u>\$ (856,922)</u>	<u>\$ 38,635,042</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated				
Deposits on equipment	\$ 119,250	\$ (34,199)		\$ 85,051
Capital assets, being depreciated:				
Furniture and equipment	913,752	285,859		1,199,611
Accumulated depreciation	<u>(768,476)</u>	<u>(27,179)</u>	<u> </u>	<u>(795,655)</u>
Total capital assets, being depreciated, net	<u>145,276</u>	<u>258,680</u>	<u> </u>	<u>403,956</u>
Business-type activities capital assets, net	<u>\$ 264,526</u>	<u>\$ 224,481</u>	<u>\$ </u>	<u>\$ 489,007</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 261,600
Instructional student support services	146,212
Administrative and financial support services	22,537
Operation and maintenance of plant services	1,282,730
Pupil transportation	61,803
Depreciation, unallocated	<u>122</u>
Total	<u>\$1,775,004</u>

9. COMPENSATED ABSENCES:

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation

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may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay. Most District employees are credited with twelve sick days and three personal leave days annually. However, the accumulation of personal days is not compensated upon termination or retirement. At the time of retirement, eligible Act 93 support personnel, education professionals, and education support professionals are entitled to benefits at varying rates based on unused sick leave. In estimating the sick leave liability, the District determined employees who currently are eligible to receive benefits as well as other employees who are expected to become eligible in the future to receive such payments. At June 30, 2023, the estimated liability for accumulated compensated absences was \$327,960.

10. NONCURRENT LIABILITIES:

The following is a summary of changes in governmental and business-type activities noncurrent liabilities for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance June 30, 2023</u>	<u>Amount Due in One Year</u>
Governmental Activities, General obligation bonds payable	\$28,225,000		\$2,310,000		\$25,915,000	\$2,350,000
Plus net deferred bond premium (discount)	<u>589,394</u>			<u>\$98,285</u>	<u>491,109</u>	
Total	28,814,394		2,310,000	98,285	26,406,109	2,350,000
Lease liability	121,286	\$ 105,910	43,622		183,574	54,465
Financed purchase obligations	160,840	265,709	250,070		176,479	87,587
Compensated absences	211,338	118,677	19,576		310,439	
Total OPEB liability	1,157,097		282,779		874,318	
Net OPEB liability	1,631,989		361,584		1,270,405	
Net pension liability	<u>28,254,096</u>	<u>2,428,056</u>			<u>30,682,152</u>	
Total	<u>\$60,351,040</u>	<u>\$2,918,352</u>	<u>\$3,267,631</u>	<u>\$98,285</u>	<u>\$59,903,476</u>	<u>\$2,492,052</u>
Business-Type Activities, Compensated absences	\$ 18,767	\$ 500	\$ 1,746		\$ 17,521	
Net OPEB liability	47,012		10,416		36,596	
Net pension liability	<u>813,904</u>	<u>69,944</u>			<u>883,848</u>	
Total	<u>\$ 879,683</u>	<u>\$ 70,444</u>	<u>\$ 12,162</u>	<u>\$</u>	<u>\$ 937,965</u>	<u>\$</u>

General obligation bonds payable at June 30, 2023 are comprised of the following:

Series of 2017, due in varying installments through April 2024, with interest rates at 2.0% per annum. \$ 2,335,000

Series of 2020, due in varying installments through May 2027, with interest rates ranging from 3.0% to 4.0% per annum. 4,800,000

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Series of 2021, due in varying installments through May 2036, with interest rates at 2.0% per annum.	\$ 9,785,000
Series of 2022, due in varying installments through May 2038, with interest rates ranging from 2.05% to 3.375% per annum.	<u>8,995,000</u>
Total	25,915,000
Less amount due in one year	2,350,000
Plus deferred bond premium, net	<u>491,109</u>
Noncurrent portion of general obligation bonds payable	<u>\$24,056,109</u>

The annual requirements to amortize general obligation bonds payable at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,350,000	\$ 672,151	\$ 3,022,151
2025	2,000,000	625,049	2,625,049
2026	2,055,000	565,146	2,620,146
2027	1,420,000	503,594	1,923,594
2028	1,460,000	462,944	1,922,944
2029-2033	7,825,000	1,787,769	9,612,769
2034-2038	<u>8,805,000</u>	<u>806,631</u>	<u>9,611,631</u>
Total	<u>\$25,915,000</u>	<u>\$5,423,284</u>	<u>\$31,338,284</u>

Financed purchase obligations at June 30, 2023 is comprised of a financed purchase for computer equipment with interest at 1.49% per annum. Equipment with a net book value of \$132,855 is pledged as collateral. The annual requirements to amortize financed purchase obligations at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 87,587	\$2,630	\$ 90,217
2025	<u>88,892</u>	<u>1,324</u>	<u>90,216</u>
Total	<u>\$176,479</u>	<u>\$3,954</u>	<u>\$180,433</u>

The District leases a copier and mail equipment under the terms of the leases. The annual requirements to amortize lease liability at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 54,465	\$12,453	\$ 66,918
2025	58,153	8,075	66,228
2026	53,456	3,575	57,031
2027	10,654	1,103	11,757
2028	<u>6,846</u>	<u>185</u>	<u>7,031</u>
Total	<u>\$183,574</u>	<u>\$25,391</u>	<u>\$208,965</u>

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The interest rates on the leases range from 6.43% to 26.41% and are imputed based on the lessor’s implicit rate of return.

The total interest expense related to governmental activities for the year ended June 30, 2023 amounted to \$692,314. No interest expense was capitalized during the year ended June 30, 2023.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Single Employer Defined Benefit OPEB Plan

Plan Description

The District’s OPEB include a single employer defined benefit plan that provides postretirement healthcare benefits. The School Board has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Teachers and administrative retirees who retire with at least 35 years of public school service in Pennsylvania are eligible to receive benefits up to age 65. Teachers and administrative employees who were members of PSERS prior to July 1, 2011, may also qualify by retiring with 30 years of public school service in Pennsylvania once they have attained the age of 60 or have attained the age of 62 with 1 year of public school service in Pennsylvania. The employee also shall have completed 15 years of service with the District. Retired professional employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage.

Benefits Provided

The plan provides post-retirement medical, prescription drug, dental, and vision benefits. The cost of such benefits coverage for retirees and spouses is determined by the contract provisions at the time of retirement.

Employees Covered by the Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

Active participants	186
Retired participants	<u>11</u>
Total	<u>197</u>

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the health care benefits provided to current retirees. Retiree contribution rates and amounts vary depending on classification and years of service with the District. The District paid premiums of

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approximately \$22,000 for the fiscal year ended June 30, 2023. The retiree contributions made by plan members were approximately \$67,000 for the fiscal year ended June 30, 2023.

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a total OPEB liability of \$874,318. The total OPEB liability was measured as of July 1, 2022, and determined by an actuarial valuation as of July 1, 2022.

The District's change in its total OPEB liability for the year ended June 30, 2023 was as follows:

	<u>Total OPEB Liability</u>
Balance as of July 1, 2022 (based on measurement date of July 1, 2021)	<u>\$1,157,097</u>
Changes for the year:	
Service cost	82,953
Interest	27,426
Changes of benefit terms	137,127
Differences between expected and actual experience	(209,432)
Changes of assumptions	(252,338)
Benefit payments	<u>(68,515)</u>
Net change	<u>(282,779)</u>
Balance as of June 30, 2023 (based on measurement date of July 1, 2022)	<u>\$ 874,318</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$185,628 in the government-wide statement of activities, governmental activities.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$103,501	\$408,949
Differences between expected and actual experience		416,399
Benefit payments subsequent to the measurement date	<u>57,547</u>	<u> </u>
Total	<u>\$161,048</u>	<u>\$825,348</u>

\$57,747 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 total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:	
2024	\$ (61,879)
2025	(61,878)
2026	(61,879)
2027	(61,877)
2028	(61,880)
Thereafter	(412,454)

Actuarial Assumptions

The total OPEB liability at July 1, 2022 was determined by an actuarial valuation as of July 1, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 4.06% - S&P municipal bond 20-year high grade rate index at July 1, 2022. The discount rate changed from 2.28% to 4.06%.
- Salary growth - 2.5% cost of living adjustment, plus 1.5% real wage growth; and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Percent of eligible retirees electing coverage - 90% of those receiving and 50% of all other employees are assumed to elect health coverage.
- Percent married at retirement - 10% of employees.
- Healthcare cost trends - 6.5% in 2022, 6.0% in 2023, and 5.5% 2024 through 2025, gradually decreasing from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates-PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Trend</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability (in thousands)	\$796	\$874	\$967

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

The following presents the total OPEB liability, calculated using the discount rate of 4.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.06%) or 1-percentage point higher (5.06%) than the current rate:

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	1% Decrease <u>3.06%</u>	Current Discount Rate <u>4.06%</u>	1% Increase <u>5.06%</u>
Total OPEB liability (in thousands)	\$933	\$874	\$819

Multiple Employer Cost-Sharing Defined Benefit OPEB Plan

Health Insurance Premium Assistance Program

PSERS (System) provides Premium Assistance which, is a governmental cost sharing, multiple-employer OPEB plan 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 (HOP). As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- 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.

Pension Plan Description

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

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Benefits Provided

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

Employer Contributions

The school districts' 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 \$83,673 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 \$1,307,001 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 0.0710%, which was an increase of 0.0002% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense in the government-wide statement of activities as follows:

Governmental activities	\$31,991
Business-type activities	<u>922</u>
Total	<u>\$32,913</u>

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,035	\$ 7,002
Changes in assumptions	145,108	308,670
Net difference between projected and actual investment earnings	3,555	
Changes in proportion	22,858	14,501

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between employer contributions and proportionate share of total contributions	\$ 1,026	\$ 361
Contributions subsequent to the measurement date	<u>83,675</u>	<u> </u>
Total	<u>\$268,257</u>	<u>\$330,534</u>

\$83,675 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$(37,421)
2025	(19,553)
2026	(23,043)
2027	(31,092)
2028	(35,485)
Thereafter	642

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% - S&P 20 Year Municipal Bond Rate; previously 2.18%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%
 - Eligible retirees will elect to participate post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.

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- 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 the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

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

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 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. As of June 30, 2022, 582 members were receiving less than the maximum

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amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

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

	<u>1%</u> <u>Decrease</u>	Current Trend <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,307	\$1,307	\$1,307

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

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

	<u>1%</u> <u>Decrease</u> <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	<u>1%</u> <u>Increase</u> <u>5.09%</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,478	\$1,307	\$1,164

OPEB 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.

Payables to the OPEB Plan

At June 30, 2023, the District had an accrued balance due to PSERS, including contributions related to OPEB of \$21,826. This amount represents the District's contractually obligated contributions for wages earned in April 2023 through June 2023. The balance was paid in September 2023.

12. PENSION BENEFITS:

Plan Description

PSERS (System) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System

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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.

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

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

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

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Member Contributions

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	Defined Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	Not applicable	5.25%
T-C	On or after July 22, 1983	6.25%	Not applicable	6.25%
T-D	Prior to July 22, 1983	6.50%	Not applicable	6.50%
T-D	On or after July 22, 1983	7.50%	Not applicable	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	Not applicable	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	Not applicable	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	Not applicable	7.50%	7.50%

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

Employer Contributions

The school districts' contractually required contribution rate for 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 \$3,850,067 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$31,566,000 for its proportionate share of the net pension liability in the government-wide statement of net position. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.0710%, which was an increase of 0.0002% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense in the government-wide statement of activities as follows:

Governmental activities	\$2,352,089
Business-type activities	<u>67,756</u>
Total	<u>\$2,419,845</u>

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 14,313	\$273,016
Changes in assumptions	942,589	
Net difference between projected and actual investment earnings		535,515
Changes in proportion	285,500	47,750
Difference between employer contributions and proportionate share of total contributions	33,840	
Contributions subsequent to the measurement date	<u>3,850,066</u>	<u> </u>
Total	<u>\$5,126,308</u>	<u>\$856,281</u>

\$3,850,066 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 210,784
2025	254,532
2026	(792,934)
2027	747,579

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Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of 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%; previously 7.00% and 2.50%, respectively.
- Salary growth - effective average of 4.50%, comprised of inflation at 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.
- Discount rate -7.00% as of June 30, 2021 and as of June 30, 2022.

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 PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>(11.0%)</u>	0.5%
Total	<u>100.0%</u>	

The above was the PSERS 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.

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Discount Rate

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

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

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

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District’s proportionate share of the net pension liability (in thousands)	\$40,828	\$31,566	23,756

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.

Payables to the Pension Plan

At June 30, 2023, the District had an accrued balance due to PSERS, including contributions related to pension of \$1,004,297. This amount represents the District’s contractually obligated contributions for wages earned in April 2023 through June 2023. The balance was paid in September 2023.

13. CONCENTRATION OF CREDIT RISK:

The District provides education and related services to the residents of Loyalsock Township, Pennsylvania. Its service area is located within the geographic boundaries of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District’s taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

14. CONTINGENCIES:

Grants

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. It is the opinion of management that requests for reimbursements, if any, by either state or federal governments based on subsequent audits will not be material in relation to the District's financial statements as of June 30, 2023.

Litigation

The District is subject to claims arising out of its normal operations. In the opinion of management, after review and consultation with counsel, any proceedings that may be assessed will not have a material adverse effect on the financial position of the District or results of its operations.

Risk Management

The District is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance.

15. COMMITMENTS:

The District has contractual obligations for the purchase of equipment and a construction renovation project in the amount of approximately \$13,759,000 of which approximately \$10,920,000 has been paid or accrued.

16. JOINT VENTURES:

The District and other surrounding educational institutions created a joint venture, the Lycoming County Insurance Consortium Pooled Trust (Trust). The District self-insures through the Trust for certain health care benefits provided to current and former employees. The Trust has purchased an excess policy which covers employee health benefit claims in excess of \$375,000. Claims are recognized as an expense when paid (cash basis) which is not materially different from the accrual basis. For the year ended June 30, 2023, the District made payments for health care benefit claims of approximately \$2,335,000 to the Trust. Audited financial statements of the Trust are available.

The District and other surrounding educational institutions created a jointly governed organization, the Lycoming Career and Technology Center (Center), to provide vocational and technical education for students of the participating school districts. The governing board of the Center is comprised of a director from each participating school district. For the year ended June 30, 2023, the District paid approximately \$335,000 to the Center. Audited financial statements of the Center are available.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

17. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 23, 2024, which is the date the financial statements were available to be issued.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		Actual
	Original	Final	Budgetary Basis
REVENUES:			
Local sources	\$ 16,373,000	\$ 16,373,000	\$ 18,517,760
State sources	7,728,332	7,728,332	8,599,462
Federal sources	<u>1,330,211</u>	<u>1,330,211</u>	<u>1,748,807</u>
Total revenues	<u>25,431,543</u>	<u>25,431,543</u>	<u>28,866,029</u>
EXPENDITURES:			
Current:			
Instruction	15,074,302	15,074,302	14,862,488
Support services	7,442,748	7,442,748	7,634,098
Noninstructional services	721,396	721,396	783,444
Capital outlay			941,845
Debt service (principal and interest)	<u>25,000</u>	<u>25,000</u>	<u>321,192</u>
Total expenditures	<u>23,263,446</u>	<u>23,263,446</u>	<u>24,543,067</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,168,097</u>	<u>2,168,097</u>	<u>4,322,962</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets			1,198,600
Interfund transfers out	(2,987,050)	(2,987,050)	(3,536,393)
Proceeds from extended term financing			371,619
Refund prior year revenue			<u>(69,373)</u>
Total other financing uses, net	<u>(2,987,050)</u>	<u>(2,987,050)</u>	<u>(2,035,547)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(818,953)	(818,953)	2,287,415
FUND BALANCE, BEGINNING	<u>7,113,631</u>	<u>7,113,631</u>	<u>8,046,499</u>
FUND BALANCE, ENDING	<u>\$ 6,294,678</u>	<u>\$ 6,294,678</u>	<u>\$ 10,333,914</u>

See Notes to the Basic Financial Statements

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
DISTRICT PLAN
LAST 10 YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY:						
Service cost	\$ 83	\$ 84	\$ 124	\$ 125	\$ 83	\$ 80
Interest	27	22	66	57	42	31
Changes of benefit terms	137		(697)		699	
Difference between expected and actual experience	(209)		(249)		(42)	
Changes of assumptions	(252)	(32)	97	(51)	(182)	60
Benefit payments	<u>(69)</u>	<u>(70)</u>	<u>(69)</u>	<u>(73)</u>	<u>(61)</u>	<u>(75)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(283)	4	(728)	58	539	96
TOTAL OPEB LIABILITY, BEGINNING	<u>1,157</u>	<u>1,153</u>	<u>1,881</u>	<u>1,823</u>	<u>1,284</u>	<u>1,188</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 874</u>	<u>\$ 1,157</u>	<u>\$ 1,153</u>	<u>\$ 1,881</u>	<u>\$ 1,823</u>	<u>\$ 1,284</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 10,444</u>	<u>\$ 9,328</u>	<u>\$ 9,328</u>	<u>\$ 8,714</u>	<u>\$ 8,714</u>	<u>\$ 8,254</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	8.37%	12.40%	12.36%	21.59%	20.92%	15.56%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the total OPEB liability, which is July 1 of the current fiscal year.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Discount rate used in the measurement of the total OPEB liability	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
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Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2022:

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS experience study.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2022:

Teachers who retire before 2025 that have 15 years of service receive \$240 per month for 8 years. Administrative support staff members who retire before 2026 receive monthly payments dependent on years of service with the District for 8 years.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2020:

The marriage assumption at retirement decreased from 20% to 10%.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2020:

Administrators subsidy increased for a 4 year period until 2023. Administrative support subsidy ends June 30, 2021.

Teachers have subsidy until 2021, after that pay full premium.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2018:

The subsidy provided for teachers was updated and applies to future retirees. The subsidy for administrators is now assumed to apply to future retirees.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2018:

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2017:

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
PREMIUM ASSISTANCE PROGRAM
LAST 10 YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability (asset)	0.0710%	0.0708%	0.0700%	0.0703%	0.0695%	0.0702%
District's proportionate share of the net OPEB liability (asset)	\$ 1,307	\$ 1,679	\$ 1,512	\$ 1,495	\$ 1,449	\$ 1,430
District's covered-employee payroll	\$ 10,434	\$ 10,043	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	12.53%	16.72%	15.38%	15.41%	15.48%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

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

Discount rate used in the measurement of the total OPEB liability	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%
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Changes in assumptions used in the measurement of the total OPEB liability beginning June 30, 2021:

The inflation assumption decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OTHER POSTEMPLOYMENT BENEFITS PLAN CONTRIBUTIONS
PREMIUM ASSISTANCE PROGRAM
LAST TEN YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 84	\$ 84	\$ 82	\$ 83	\$ 80	\$ 77	\$ 77
Contributions in relation to the contractually required contribution	<u>84</u>	<u>84</u>	<u>82</u>	<u>83</u>	<u>80</u>	<u>77</u>	<u>77</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 11,156	\$ 10,434	\$ 10,043	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340
Contributions as a percentage of covered-employee payroll	0.75%	0.81%	0.82%	0.84%	0.82%	0.82%	0.82%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The contractually required contribution rate is calculated as of the June 30 preceding the fiscal year in which contributions are made.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability (asset)	0.0710%	0.0708%	0.0699%	0.0703%	0.0695%	0.0702%	0.0724%	0.0716%	0.0709%
District's proportionate share of the net pension liability (asset)	\$ 31,566	\$29,068	\$ 34,418	\$ 32,888	\$ 33,363	\$ 34,671	\$ 35,879	\$ 31,014	\$ 28,063
District's covered-employee payroll	\$ 10,434	\$10,043	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340	\$ 9,382	\$ 9,215	\$ 9,046
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	302.53%	289.44%	350.20%	339.02%	356.52%	371.21%	382.42%	336.56%	310.23%
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%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

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

Pension plan employer proportion and employer proportionate share:

Pension plan proportionate share is calculated utilizing the District's one-year reported contributions as it relates to the total one-year reported contributions for all employers. Prior to the year ended June 30, 2020, the pension plan proportionate share was calculated utilizing the District's one-year reported covered payroll as it related to the total one-year reported covered payroll for employers.

Discount rate used in the measurement of the total pension liability	7.00%	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%
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Changes of benefit terms:

With the passage of Act 5 on June 12, 2017 class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2021:

The inflation assumption decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%. Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases. Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2016:

The inflation assumption decreased from 3.00% to 2.75%. Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases. Mortality rates were modified from the PR-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS
LAST 10 YEARS

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 3,850	\$ 3,563	\$ 3,365	\$ 3,290	\$ 3,161	\$ 2,972	\$ 2,730	\$ 2,346	\$ 1,844	\$ 1,447
Contributions in relation to the contractually required contribution	<u>3,850</u>	<u>3,563</u>	<u>3,365</u>	<u>3,290</u>	<u>3,161</u>	<u>2,972</u>	<u>2,730</u>	<u>2,346</u>	<u>1,844</u>	<u>1,447</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$11,156	\$10,434	\$10,043	\$ 9,828	\$ 9,701	\$ 9,358	\$ 9,340	\$ 9,382	\$ 9,215	\$ 9,046
Contributions as a percentage of covered-employee payroll	34.51%	34.15%	33.51%	33.48%	32.58%	31.76%	29.23%	25.01%	20.01%	16.00%

Notes to Schedule:

The contractually required contribution rate is calculated as of the June 30 preceding the fiscal year in which contributions are made.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

GRANTOR/PROGRAM TITLE	Source Code	Federal Assistance Listing Number	Pass-Through Grant Number	Grant Period Beginning/Ending Date	Grant Amount	Total Received For The Year	Accrued (Unearned) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2023	Passed-Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Impact Aid	D	84.041	N/A	07/01/22-06/30/23	N/A	\$ 8,193		\$ 8,193	\$ 8,193		
Passed through the Pennsylvania Department of Education:											
Title I - Grants to Local Educational Agencies	I	84.010	13-220234	09/10/21-09/30/22	\$ 282,893	63,460	\$ 63,460				
Title I - Grants to Local Educational Agencies	I	84.010	13-230234	09/10/22-09/30/23	306,160	216,922		256,116	256,116	\$ 39,194	
Total Title I - Grants to Local Educational Agencies						280,382	63,460	256,116	256,116	39,194	
Title II - Supporting Effective Instruction State Grants	I	84.367	20-220234	09/10/21-09/30/22	43,761	(124)	(124)				
Title II - Supporting Effective Instruction State Grants	I	84.367	20-230234	09/10/22-09/30/23	46,935	47,080		46,935	46,935	(145)	
Total Title II - Supporting Effective Instruction State Grants						46,956	(124)	46,935	46,935	(145)	
Title IV - Student Support and Academic Enrichment Program	I	84.424	144-220234	09/10/21-09/30/22	19,479	11	11				
Title IV - Student Support and Academic Enrichment Program	I	84.424	144-230234	09/10/22-09/30/23	22,000	5,988		22,000	22,000	16,012	
Total Title IV - Student Support and Academic Enrichment Program						5,999	11	22,000	22,000	16,012	
COVID-19 Education Stabilization Fund (ARP ESSER)	I	84.425U	223-210234	03/13/20-09/30/24	1,934,711	140,706	(140,706)	1,207,567	1,207,567	926,155	
COVID-19 Education Stabilization Fund (ARP ESSER 7%)	I	84.425U	225-210234	03/13/20-09/30/24	150,372	71,085	(10,936)	126,964	126,964	44,943	
Total COVID-19 Education Stabilization Fund ARP ESSER						211,791	(151,642)	1,334,531	1,334,531	971,098	
COVID-19 Education Stabilization Fund (CRRSA ESSER)	I	84.425D	200-210234	03/13/20-09/30/23	956,494	333,661	253,977	79,684	79,684		
Passed Through Pennsylvania Commission on Crime and Delinquency:											
COVID-19 Education Stabilization Fund (CARES ESSER)	I	84.425D	35486	07/01/21-06/30/22	48,470	7,804	7,804				
Total COVID-19 Education Stabilization Fund ESSER						341,465	261,781	79,684	79,684		
Total COVID-19 Education Stabilization Fund						553,256	110,139	1,414,215	1,414,215	971,098	
Passed through BLaST Intermediate Unit #17:											
IDEA ESEA Title VI	I	84.027	N/A	07/01/21-09/30/22	N/A	92,858	92,858				
IDEA ESEA Title VI	I	84.027	N/A	07/01/22-09/30/23	N/A	200,516		277,738	277,738	77,222	
COVID 19 IDEA ESEA Title VI (ARP)	I	84.027	N/A	07/01/21-09/30/23	N/A	65,830		65,830	65,830		
Total IDEA ESEA Title VI						359,204	92,858	343,568	343,568	77,222	
IDEA Special Education - Preschool Grants	I	84.173	N/A	07/01/21-06/30/22	N/A	2,842	2,842				
IDEA Special Education - Preschool Grants	I	84.173	N/A	07/01/22-06/30/23	N/A	2,926		2,926	2,926		
Total IDEA Special Education - Preschool Grants						5,768	2,842	2,926	2,926		
Total Special Education (IDEA) Cluster						364,972	95,700	346,494	346,494	77,222	
TOTAL U.S. DEPARTMENT OF EDUCATION						1,259,758	269,186	2,093,953	2,093,953	1,103,381	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed through Pennsylvania Department of Human Services:											
Medical Assistance Program	I	93.778	N/A	07/01/22-06/30/23	N/A	1,347		1,347	1,347		
Total Medicaid Cluster						1,347		1,347	1,347		
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						1,347		1,347	1,347		
U.S. DEPARTMENT OF AGRICULTURE											
Team Nutrition Grants	D	10.574	N/A	11/01/11-11/01/15	1,000		(1,000)			(1,000)	
Passed through the Pennsylvania Department of Education:											
COVID-19 NSLP-Supply Chain Assistance	I	10.555	N/A	07/01/21-06/30/22	33,948		(16,323)	16,323	16,323		
COVID-19 NSLP-Supply Chain Assistance	I	10.555	N/A	07/01/22-06/30/23	48,172	48,172		42,025	42,025	(6,147)	
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	688,835	33,279	689,752	689,752	34,196	
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	(a) 125,842	(b) (655)	126,057	(c) 126,057	(d) (440)	
Total National School Lunch Program						862,849	16,301	874,157	874,157	27,609	

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

GRANTOR/PROGRAM TITLE	Source Code	Federal Assistance Listing Number	Pass-Through Grant Number	Grant Period Beginning/Ending Date	Grant Amount	Total Received For The Year	Accrued (Unearned) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2023	Passed-Through To Subrecipients
Passed through the Pennsylvania Department of Education:											
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	\$ 181,748	\$ 13,288	\$ 179,975	\$ 179,975	\$ 11,515	_____
Total Child Nutrition Cluster						<u>1,044,597</u>	<u>29,589</u>	<u>1,054,132</u>	<u>1,054,132</u>	<u>39,124</u>	_____
COVID-19 State Pandemic Electronic Benefit Transfer Admin. Costs Grant	I	10.649	N/A	07/01/22-06/30/23	628	<u>628</u>	_____	<u>628</u>	<u>628</u>	_____	_____
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>1,045,225</u>	<u>28,589</u>	<u>1,054,760</u>	<u>1,054,760</u>	<u>38,124</u>	_____
TOTAL FEDERAL AWARDS						<u>\$2,306,330</u>	<u>\$297,775</u>	<u>\$3,150,060</u>	<u>\$3,150,060</u>	<u>\$ 1,141,505</u>	\$ _____

SOURCE CODES:
N/A - Not applicable
D - Direct Funding
I - Indirect Funding

FOOTNOTES:
(a) Total amount of commodities received.
(b) Beginning inventory at July 1, 2022.
(c) Total amount of commodities used.
(d) Ending inventory at June 30, 2023.

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

3. INDIRECT COST ALLOCATION PLAN:

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



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

Board of School Directors
Loyalsock Township School District
Williamsport, Pennsylvania:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of Loyalsock Township School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Larson, Kellett & Associates, P.C.

Montoursville, Pennsylvania
February 23, 2024



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

Board of School Directors
Loyalsock Township School District
Williamsport, Pennsylvania:

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited Loyalsock Township School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

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

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

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 the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material

weaknesses. However, as described below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

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

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

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

Larson, Kellitt & Associates, P.C.

Montoursville, Pennsylvania
February 23, 2024

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified opinion.

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?

yes no

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
84.425U	COVID-19 Education Stabilization Fund
84.425D	COVID-19 Education Stabilization Fund

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

LOYALSOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

U.S. DEPARTMENT OF EDUCATION

2023-001. COVID-19 Education Stabilization Fund - Assistance Listing 84.425D and 84.425U passed through the Pennsylvania Department of Education; Title I - Grants to Local Educational Agencies - Assistance Listing 84.010 passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2023.

Criteria: In accordance with Title 2 CFR Section 200.431(c) of the Uniform Guidance, fringe benefits must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the employees whose salaries and wages are chargeable to such federal awards and other activities.

Condition: Benefits charged to federal programs included Public School Employees' Retirement System (PSERS) employer contribution expenditures that were reimbursed by a state subsidy.

Cause: The system generated payroll report that identifies federally funded staff did not properly reduce federal allocations for amounts reimbursed by the state subsidy.

Effect: Failure to properly deduct the PSERS reimbursement portion allocated to federal awards is a duplication of benefits which can result in a loss of funding.

Questioned Costs: Total known questioned costs of \$72,697 as indicated below:

- COVID-19 Education Stabilization Fund - Assistance Listing 84.425D - \$8,294
- COVID-19 Education Stabilization Fund - Assistance Listing 84.425U - \$34,485
- Title I - Grants to Local Educational Agencies - Assistance Listing 84.010 - \$29,918

Perspective Information: Total PSERS employer contribution expenditures charged to these federal awards were \$144,098. The state subsidy reimbursed the District for approximately 50 percent of these expenditures for a total of \$72,697.

Identification of Repeat Findings: Not applicable.

Recommendation: The District should ensure that PSERS employer contribution expenditures charged to federal awards are reduced for amounts reimbursed by other funding sources.

Views of Responsible Officials: Management agrees with the finding.

Planned Corrective Action: See District's corrective action plan.