

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022  
&  
INDEPENDENT AUDITORS' REPORT  
&  
SUPPLEMENTARY INFORMATION  
&  
SINGLE AUDIT REPORTS**

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*Brian T. Kelly, CPA  
& Associates, LLC*

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**INDEPENDENT AUDITORS' REPORT**

To the School Board of the  
Susquehanna Community School District:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Susquehanna Community School District (the "District") as of and for the year ended June 30, 2022, 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 activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 pages 7 through 16, and the required supplementary information on pages 57 through 61 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 on pages 62 and 63, 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 January 9, 2023 on our consideration of the District's internal control over financial reporting and 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.

A handwritten signature in blue ink that reads "B. Kelly CA". To the right of the signature, the text "ASSOCIATES L.L.C." is printed in a smaller, blue, sans-serif font.

Carbondale, Pennsylvania  
January 9, 2023

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**(UNAUDITED)**

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This Management’s Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Susquehanna Community School District (the “District”) for the year ended June 30, 2022. The District’s financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District’s financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District’s financial performance.

**FINANCIAL HIGHLIGHTS**

Total net position of the District increased \$2,063,545 in 2022. Net position of governmental activities increased \$1,960,727. Net position of the business-type activity increased \$102,818.

The District had \$17,096,726 in expenses related to governmental activities in 2022; only \$6,941,274 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$12,116,179 were more than adequate to provide for these programs, thereby increasing net position.

In the District’s business-type activity, net position increased by \$102,818 as a result of the net profit of the food service operation caused by increases in federal meal reimbursements due to COVID-19.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.



The statement of net position presents information on all of the District's assets and liabilities and deferred outflows and inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the governmental-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 17 and 18 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

## **GOVERNMENTAL FUNDS**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's major funds, the General Fund and Capital Projects Fund.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 23 of this report to demonstrate compliance with this budget.

#### **PROPRIETARY FUND**

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

#### **FIDUCIARY FUNDS**

The District accounts for its custodial fund and private purpose trust fund as fiduciary funds. The basic fiduciary fund financial statements can be found on pages 27 and 28 of this report.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-56 of this report.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District prepares a budget each year for its General Fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2022 included revenues of \$17,952,058 and \$18,051,548 of expenditures and other financing uses. There were no amendments made to the budget in 2022.

Actual revenues received for 2022 were \$847,330 more than the budget. Local source revenue was less than the budget by \$7,058 primarily due to conservative budgeting practices and an decrease in delinquent tax collections.

State sources of revenue were \$131,300 greater than the amount budgeted. The variance is due to the amount of uncertainty on the State level during the budget process. The District is required to pass an operating budget by June 30<sup>th</sup> of every fiscal year. The Commonwealth of Pennsylvania provides the District with approximately 70% of its operating revenue. Due to legislative uncertainty, the District took a very conservative approach to budgeting state revenue. The result is that the District received a greater amount of State revenue for transportation and retirement subsidies

Federal sources of revenue were \$723,088 greater than the budget. The variance is due to various COVID-19 grants received which were uncertain during the budget process.

Actual 2022 expenditures and other financing uses for 2022 were \$207,589 less than the amount budgeted. The variance can be attributed to capital improvements funded with federal ESSERS funding, net of decreases in special education out of district tuition and related transportation, and maintenance expenses.

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's condensed government-wide financial statements are presented comparatively as follows:

**CONDENSED STATEMENT OF NET POSITION (IN 000'S)**

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS		% CHANGE
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
Current and other assets	\$ 8,458	\$ 7,200	\$180	\$81	\$ 8,638	\$ 7,281	18.6%
Capital assets	5,430	5,867	9	14	5,439	5,881	(7.5)%
Deferred outflows of resources	<u>4,322</u>	<u>4,518</u>	<u>—</u>	<u>—</u>	<u>4,322</u>	<u>4,518</u>	(4.4)%
<b>TOTAL</b>	<b><u>\$ 18,210</u></b>	<b><u>\$ 17,585</u></b>	<b><u>\$189</u></b>	<b><u>\$95</u></b>	<b><u>\$ 18,399</u></b>	<b><u>\$ 17,680</u></b>	<b>4.1%</b>
Current liabilities	\$ 2,813	\$ 2,768	\$24	\$32	\$ 2,837	\$ 2,800	22.1%
Long-term liabilities	<u>25,244</u>	<u>29,703</u>	<u>—</u>	<u>—</u>	<u>25,244</u>	<u>29,703</u>	(16.4)%
<b>Total liabilities</b>	<b><u>28,057</u></b>	<b><u>32,471</u></b>	<b><u>24</u></b>	<b><u>32</u></b>	<b><u>28,081</u></b>	<b><u>32,503</u></b>	<b>(13.6)%</b>
Deferred inflows of resources	<u>4456</u>	<u>1,377</u>	<u>—</u>	<u>—</u>	<u>4,456</u>	<u>1,377</u>	223.7 %
Net position:							
Invested in capital assets	5,426	5,867	9	14	5,435	5,881	(7.6)%
Restricted	1	1			1	1	0.0 %
Unrestricted	<u>(19,730)</u>	<u>(22,131)</u>	<u>156</u>	<u>49</u>	<u>(19,574)</u>	<u>(22,082)</u>	(11.4)%
<b>Total net position</b>	<b><u>(14,303)</u></b>	<b><u>(16,263)</u></b>	<b><u>165</u></b>	<b><u>63</u></b>	<b><u>(14,138)</u></b>	<b><u>(16,200)</u></b>	<b>(12.7)%</b>
<b>TOTAL</b>	<b><u>\$ 18,210</u></b>	<b><u>\$ 17,585</u></b>	<b><u>\$189</u></b>	<b><u>\$95</u></b>	<b><u>\$18,399</u></b>	<b><u>\$17,680</u></b>	<b>4.1%</b>

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITY		TOTALS		% CHANGE
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
Program revenues:							
Charges for services	\$ 39	\$ 18	\$ 73	\$ 90	\$ 112	\$ 108	4.4%
Operating grants and contributions	6,903	5,362	684	335	7,587	5,697	33.2%
General revenues:							
Taxes levied for general purposes, net	4,693	4,239			4,693	4,239	34.3%
Grants, subsidies and contributions not restricted	7,369	7,159			7,369	7,159	(39.0)%
Other	<u>53</u>	<u>90</u>	<u>1</u>	<u>1</u>	<u>54</u>	<u>91</u>	(56.6)%
Total revenues	<u>19,057</u>	<u>16,868</u>	<u>758</u>	<u>426</u>	<u>19,815</u>	<u>17,294</u>	2.8%
Program expenses:							
Instruction	10,340	10,911			10,340	10,911	(5.2)%
Instructional student support	1,368	1,680			1,368	1,680	(18.6)%
Administration and financial support services	1,247	1,314			1,247	1,314	(5.1)%
Operation and maintenance of plant services	2,073	1,158			2,073	1,158	79.0%
Pupil transportation	1,278	1,194			1,278	1,194	7.0%
Student activities	351	317			351	317	10.7%
Unallocated depreciation	440	444			440	444	(0.8)%
Food service			<u>656</u>	<u>390</u>	<u>656</u>	<u>390</u>	65.0%
Total expenses	<u>17,097</u>	<u>17,018</u>	<u>656</u>	<u>390</u>	<u>17,753</u>	<u>17,408</u>	2.2%
Change in net position	1,960	(150)	102	36	2,062	(114)	(1,475.8)
Restatement							
Net position, beginning	<u>(16,263)</u>	<u>(16,113)</u>	<u>63</u>	<u>27</u>	<u>(16,200)</u>	<u>(16,086)</u>	(0.2)%
Net position, ending	<u>\$(14,303)</u>	<u>\$(16,263)</u>	<u>\$165</u>	<u>\$ 63</u>	<u>\$(14,138)</u>	<u>\$(16,200)</u>	(12.7)%

**GOVERNMENTAL ACTIVITIES**

The increase of \$1,960,727 in net position of governmental activities was due to decreases in the reporting of net pension liability of (\$20,282,000) and other postemployment benefits of (\$4,403,654). These are future obligation that the district must pay.

**BUSINESS-TYPE ACTIVITY**

The District's food service operation reported an increase in net position of \$102,818 in 2022. The increase is due to increases in federal reimbursement for free meals served. The district's food service operation did not receive an operating transfer from the General Fund.

**FINANCIAL ANALYSIS OF THE FUNDS**

**GENERAL FUND (MAJOR)**

The following represents a summary of General Fund revenue, by source, along with changes from 2021.

	<u>2022</u> <u>Amount</u>	<u>2021</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Local sources	\$ 4,770,678	\$ 4,675,329	\$ 95,349	2.0%
State sources	11,937,833	11,578,975	358,858	3.1%
Federal sources	<u>2,090,877</u>	<u>720,609</u>	<u>1,370,268</u>	<u>190.2%</u>
Total	<u>\$18,799,388</u>	<u>\$16,974,913</u>	<u>\$ 1,824,475</u>	<u>10.7%</u>

**LOCAL SOURCES**

Local source revenue increased \$95,349 due to an increase in the real estate tax levy of approximately 4.0% and increases in delinquent local tax revenue.

**STATE SOURCES**

The increase in State sources is primarily due to increased subsidies for PSERS retirement, and transportation subsidy.

**FEDERAL SOURCES**

The increase in federal sources is due to increased revenues for COVID-19 relief.

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

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The following table is a summary of General Fund expenditures, by function, along with changes from 2021.

	<u>2022</u> <u>Amount</u>	<u>2021</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u>
Instruction	\$ 11,199,533	\$ 10,750,252	\$ 449,281	4.2 %
Support services	6,036,186	5,304,209	731,977	13.8 %
Non-instructional services	379,370	314,045	65,325	20.8 %
Other financing uses	<u>228,870</u>	<u>202,915</u>	<u>25,955</u>	<u>124.1%</u>
Total	<u>\$ 17,843,959</u>	<u>\$ 16,571,421</u>	<u>\$ 1,272,538</u>	<u>7.7%</u>

**INSTRUCTION**

The increase in instructional expenditures was primarily due to the hiring of four one-year teaching positions paid with federal ESSERS funding to counter the negative educational effects of prior year governmental COVID-19 shutdowns.

**SUPPORT SERVICES**

The increase in support services expenditures was primarily due to increases in tuition and transportation expense.

**OTHER**

The District incurred more capital project expenditures during the year.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for non-major construction projects in the District. During 2022, the District did not incur construction expenses related to this fund.

## CAPITAL ASSETS

The District's capital assets at June 30, 2022 are summarized below.

Land	\$ 88,412
Land improvements	1,442,728
Buildings and improvements	16,390,486
Furniture and equipment	1,543,680
Construction in Progress	<u>-</u>
Total	19,465,306
Less accumulated depreciation	<u>(14,038,786)</u>
Net	<u>\$ 5,426,520</u>

Additional information on the changes in the District's capital assets from 2021 to 2022 can be found in Note 5 on page 39 of this report.

## ECONOMIC CONDITION AND OUTLOOK

The District is primarily located in Susquehanna County, which is largely rural and residential in nature. The District's population has remained relatively constant over the past few years. Analysis by realtors of recent market value growth indicates that the majority of new housing and property sales are being utilized as vacation or retirement homes. A new development over the past two years is the migration of people from high density high crime areas to rural low population areas. Real estate prices are on the rise over the past year due to this migration resulting in increases in property transfer taxes as well as property assessed values. This should result in an increase in future real estate taxes for the school district.

The District has seen many changes due to COVID-19 since 2021. Federal funding increases for COVID-19 relief has reversed the prior trend of deficit spending. The District is seeing increases in delinquent tax collection.



The District faces huge financial challenges in the future. Without a massive overhaul of the pension system, district will see its contributions continue to increase. The District has committed funds to help pay future retirement increases. The outlook for the State's ability to invest in public education over the next few years is also a major concern. Our District receives over 70% of its revenue from the State. The outlook is that the State will be struggling financially due to the huge pension obligation for both school and state employees along with a lack of tax collection due to less workers entering the workforce. Without pension reform, the State will not have the tax revenue to fund public education. This will create revenue shortfalls for poorer districts that rely heavily on State funding. The only potential bailout for the State is the Federal governments huge spending plan that may help the State in the short term. This huge spending plan will also increase inflation and future tax rates for working class people.

The district's pupil enrollment has been decreasing. Decreasing enrollment results in less revenue from the State. Prior to this outrageous federal spending plan due to COVID-19 and foreign wars, the district was deficit spending. Once the federal money goes back to previous years allocations, the district will most likely be deficit spending again. The major expense categories driving the deficit spending are increasing salary, benefit, and early retirement incentives. The District's budgeted cyber school tuition cost has also increased by over 100% in the last few years. The District is now budgeting in excess of \$650,000 to cover cyber school tuition costs. This does not include the increase in cyber school enrollment during the COVID-19 period. Without a major change at the state level, the district could be in financial distress within 5 – 7 years.

### **REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Susquehanna Community School District, 3192 Turnpike Street, Susquehanna, PA 18847.

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**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF NET POSITION  
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITY	TOTAL
<b><u>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Current assets:			
Cash and cash equivalents	\$ 5,958,029	\$ 474,564	\$ 6,432,593
Real estate taxes receivable, net	408,631		408,631
Due from other governments	1,697,100	80,325	1,777,425
Due from other funds	394,529	(394,529)	-
Other receivables	-	12,545	12,545
Inventories		6,826	6,826
Total current assets	8,458,289	179,731	8,638,020
CAPITAL ASSETS	5,426,520	9,146	5,435,666
ASSETS HELD FOR CAPITAL PROJECTS	3,542		3,542
Total assets	13,888,351	188,877	14,077,228
DEFERRED OUTFLOWS OF RESOURCES	4,321,483		4,321,483
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 18,209,834</u>	<u>\$ 188,877</u>	<u>\$ 18,398,711</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u></b>			
Current liabilities:			
Accounts payable	\$ 695,709	\$ 18,574	\$ 714,283
Accrued salaries and benefits	1,982,857		1,982,857
Payroll deductions and withholdings	6,698		6,698
Current portion of special termination benefits	79,472		79,472
Current portion of compensated absences	43,088		43,088
Other current liabilities	4,742		4,742
Unearned revenues		4,928	4,928
Total current liabilities	2,812,566	23,502	2,836,068
SPECIAL TERMINATION BENEFITS	171,125		171,125
TOTAL OPEB LIABILITY	4,403,654		4,403,654
COMPENSATED ABSENCES	387,792		387,792
NET PENSION LIABILITY	20,282,000		20,282,000
Total liabilities	28,057,137	23,502	28,080,639
DEFERRED INFLOWS OF RESOURCES	4,455,381		4,455,381
NET POSITION:			
Investment in capital assets	5,426,520	9,146	5,435,666
Restricted	861		861
Unrestricted	(19,730,065)	156,229	(19,573,836)
Total net position	(14,302,684)	165,375	(14,137,309)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 18,209,834</u>	<u>\$ 188,877</u>	<u>\$ 18,398,711</u>

See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
Governmental activities:						
Instruction	\$ (10,339,765)	\$ 31,063	\$ 5,281,963	\$ (5,026,739)		\$ (5,026,739)
Instructional student support	(1,367,804)	-	239,941	(1,127,863)		(1,127,863)
Administration and financial support services	(1,246,817)	-	223,670	(1,023,147)		(1,023,147)
Operation and maintainance of plant services	(2,072,922)	0	78,930	(1,993,992)		(1,993,992)
Pupil transportation	(1,278,145)	-	1,029,676	(248,469)		(248,469)
Student activities	(350,834)	7,712	48,319	(294,803)		(294,803)
Unallocated depreciation expenses	(440,439)	-	-	(440,439)		(440,439)
Total governmental activities	(17,096,726)	38,775	6,902,499	(10,155,452)		(10,155,452)
Business-type activity,						
Food service	(655,633)	73,533	683,694		\$ 101,594	101,594
TOTAL	\$ (17,752,359)	\$ 112,308	\$ 7,586,193	(10,155,452)	101,594	(10,053,858)
General revenues:						
Taxes levied for general purposes, net				4,693,452		4,693,452
Grants, subsidies and contributions not restricted				7,369,247		7,369,247
Investment earnings				23,167	1,224	24,391
Miscellaneous income				30,313		30,313
Total general revenues				12,116,179	1,224	12,117,403
Change in net position				1,960,727	102,818	2,063,545
Net position, beginning				(16,263,411)	62,557	(16,200,854)
Net position, ending				\$ (14,302,684)	\$ 165,375	\$ (14,137,309)

See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2022

	MAJOR		
	GENERAL	CAPITAL PROJECTS	TOTALS
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 5,958,029	\$ 3,542	\$5,961,571
Real estate taxes receivable	408,631		408,631
Due from other governments	1,697,100		1,697,100
Due from other funds	<u>394,529</u>	<u>-</u>	<u>394,529</u>
 Total assets	 <u>\$ 8,458,289</u>	 <u>\$ 3,542</u>	 <u>\$8,461,831</u>
 <b>LIABILITIES:</b>			
Accounts payable	\$ 695,709		\$ 695,709
Accrued salaries and benefits	1,982,857		1,982,857
Payroll deductions and withholdings	6,698		6,698
Special termination benefits payable	79,472		79,472
Other current liabilities	<u>4,742</u>	<u>-</u>	<u>4,742</u>
 Total liabilities	 <u>2,769,478</u>	 <u>-</u>	 <u>2,769,478</u>
 <b>DEFERRED INFLOWS OF RESOURCES,</b>			
Unavailable revenue - property taxes	<u>363,530</u>	<u>-</u>	<u>363,530</u>
 <b>FUND BALANCES:</b>			
Restricted		\$ 861	861
Committed	1,850,000	2,681	1,852,681
Assigned	3,375,281		3,375,281
Unassigned	<u>100,000</u>	<u>-</u>	<u>100,000</u>
 Total fund balances	 <u>5,325,281</u>	 <u>3,542</u>	 <u>5,328,823</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 8,458,289</u>	 <u>\$ 3,542</u>	 <u>\$8,461,831</u>

See Notes to Financial Statements

## SUSQUEHANNA COMMUNITY SCHOOL DISTRICT

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2022

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Total fund balances - governmental funds	\$ 5,328,823
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,426,520
Real estate taxes receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds	363,530
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Special termination benefits	(171,125)
Total OPEB liability and related deferred outflows and inflows of resources	(4,516,552)
Compensated absences	(430,880)
Net pension liability and related deferred outflows and inflows of resources	<u>(20,303,000)</u>
Total net position - governmental activities	<u>\$ (14,302,684)</u>

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See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	MAJOR		TOTALS
	GENERAL	CAPITAL PROJECTS	
REVENUES:			
Local sources	\$ 4,770,678	\$ 12	\$ 4,770,690
State sources	11,937,833		11,937,833
Federal sources	<u>2,090,877</u>		<u>2,090,877</u>
Total revenues	<u>18,799,388</u>	<u>12</u>	<u>18,799,400</u>
EXPENDITURES:			
Instruction	11,199,533		11,199,533
Support services	6,036,186		6,036,186
Noninstructional services	379,370		379,370
Capital outlay	<u>228,870</u>		<u>228,870</u>
Total expenditures	<u>17,843,959</u>	<u>-</u>	<u>17,843,959</u>
NET CHANGE IN FUND BALANCES	955,429	12	955,441
FUND BALANCE, BEGINNING	<u>4,369,852</u>	<u>3,530</u>	<u>4,373,382</u>
FUND BALANCE, ENDING	<u>\$ 5,325,281</u>	<u>\$ 3,542</u>	<u>\$ 5,328,823</u>

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See Notes to Financial Statements

## SUSQUEHANNA COMMUNITY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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Total net change in fund balances - governmental funds	\$ 955,441
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense on capital assets is reported in the statement of activities	(440,439)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in revenue accrued between the prior and current year	258,053
Change in special termination benefits	(64,370)
Change in total OPEB liability and related deferred outflows and inflows of resources	(94,920)
Change in compensated absences	35,962
Change in net pension liability and related deferred outflows and inflows of resources	<u>1,311,000</u>
Change in net position of governmental activities	<u>\$ 1,960,727</u>

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See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>			
Local sources	\$ 4,777,736	\$4,770,678	\$ (7,058)
State sources	11,806,533	11,937,833	131,300
Federal sources	<u>1,367,789</u>	<u>2,090,877</u>	<u>723,088</u>
Total revenues	<u>17,952,058</u>	<u>18,799,388</u>	<u>847,330</u>
<b>EXPENDITURES:</b>			
Instruction	10,792,911	11,199,533	(406,622)
Support services	6,816,751	6,036,186	780,565
Noninstructional services	441,886	379,370	62,516
Capital outlay	<u>                    </u>	<u>228,870</u>	<u>(228,870)</u>
Total expenditures	<u>18,051,548</u>	<u>17,843,959</u>	<u>207,589</u>
NET CHANGE IN FUND BALANCE	(99,490)	955,429	1,054,919
FUND BALANCE, BEGINNING	<u>99,490</u>	<u>4,369,852</u>	<u>4,270,362</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$5,325,281</u>	<u>\$ 5,325,281</u>

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See Notes to Financial Statements



**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2022**

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$474,564
Due from other governments	80,325
Other receivables	12,545
Inventories	<u>6,826</u>

Total current assets 574,260

CAPITAL ASSETS 9,146

TOTAL \$583,406

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 18,574
Due to other funds	394,529
Unearned revenues	<u>4,928</u>

TOTAL 418,031

NET POSITION:

Invested in capital assets	9,146
Unrestricted	<u>156,229</u>

Total net position 165,375

TOTAL \$583,406

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See Notes to Financial Statements

## SUSQUEHANNA COMMUNITY SCHOOL DISTRICT

### STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - PROPRIETARY FUND - FOR THE YEAR ENDED JUNE 30, 2022

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OPERATING REVENUES,	
Food service revenue	<u>\$ 73,533</u>
OPERATING EXPENSES:	
Salaries	35,808
Employee benefits	15,250
Purchased property services	10,158
Other purchased services	540,168
Food and supplies	37,324
Depreciation	4,925
Other property	<u>12,000</u>
Total operating expenses	<u>655,633</u>
OPERATING LOSS	<u>(582,100)</u>
NONOPERATING REVENUES:	
Earnings on investments	1,224
State sources	30,060
Federal sources	<u>653,634</u>
Total nonoperating revenues	<u>684,918</u>
NET INCOME	102,818
NET POSITION, BEGINNING	<u>62,557</u>
NET POSITION, ENDING	<u>\$165,375</u>

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See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2022

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 77,064
Cash payments to employees for services	(10,694)
Cash paid to suppliers for goods and services	<u>(548,502)</u>
Net cash used in operating activities	<u>(482,132)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	30,483
Federal sources	571,189
Transfers in	<u>209,661</u>
Net cash provided by noncapital financing activities	<u>811,333</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,	
Earnings on investments	<u>1,224</u>
CHANGE IN CASH AND CASH EQUIVALENTS	330,425
CASH AND CASH EQUIVALENTS, BEGINNING	<u>144,139</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 474,564</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS,	
USDA donated commodities	<u>\$ 36,940</u>
RECONCILIATION OF OPERATING LOSS TO	
NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (582,100)
Adjustments to reconcile operating loss	
to net cash used in operating activities:	
Depreciation	4,925
USDA donated commodities	36,940
Increase or decrease in:	
Other receivables	3,098
Inventory	(1,506)
Accounts payable	(9,096)
Due to other funds	65,174
Unearned revenues	<u>433</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (482,132)</u>

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See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2022

	PRIVATE PURPOSE TRUST FUND	CUSTODIAL FUND
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	\$ 41,937	\$ 143,127
RECEIVABLES	<u>                    </u>	<u>19,000</u>
TOTAL	<u>\$ 41,937</u>	<u>\$ 162,127</u>
<u>LIABILITIES AND NET POSITION</u>		
OTHER CURRENT LIABILITIES	<u>\$ 19,000</u>	<u>                    </u>
NET POSITION RESTRICTED FOR:		
Scholarships	22,937	
Individuals, organizations and other governments	<u>                    </u>	<u>\$ 162,127</u>
Total net position	<u>22,937</u>	<u>162,127</u>
TOTAL	<u>\$ 41,937</u>	<u>\$ 162,127</u>

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See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	PRIVATE PURPOSE TRUST FUND	CUSTODIAL FUND
ADDITIONS:		
Fundraising		\$ 82,542
Investment earnings	\$ 864	567
Contributions	<u>605</u>	<u>          </u>
Total additions	<u>1,469</u>	<u>83,109</u>
DEDUCTIONS:		
Class trips		62,272
Supplies and fees		2,875
Scholarships awarded	<u>2,275</u>	<u>          </u>
Total deductions	<u>2,275</u>	<u>65,147</u>
CHANGE IN NET POSITION	(806)	17,962
NET POSITION, BEGINNING	<u>23,743</u>	<u>144,165</u>
NET POSITION, ENDING	<u>\$ 22,937</u>	<u>\$ 162,127</u>

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See Notes to Financial Statements

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The major accounting principles and practices followed by the Susquehanna Community School District (the "District") are summarized below:

**NATURE OF OPERATIONS**

The District provides elementary and secondary education to the residents of the following municipalities:

Lanesboro Borough	Thompson Borough	Thompson Township
Susquehanna Borough	Starrucca Borough	Oakland Township
Oakland Borough	Ararat Township	Harmony Township

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

**REPORTING ENTITY**

The reporting entity has been defined in accordance with the criteria established in Statement 14, as amended by Statement 39 issued by the Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements.

**BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General and Capital Projects Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### **BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

#### **GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

##### **GENERAL FUND (MAJOR)**

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

##### **CAPITAL PROJECTS FUND (MAJOR)**

The Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation or construction of major capital facilities.

### **PROPRIETARY FUND TYPE**

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, an Enterprise fund-type, which accounts for the food service operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and nonoperating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as nonoperating.

### **FIDUCIARY FUND TYPES**

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:

#### **CUSTODIAL FUND**

The Custodial Fund accounts for assets held, collected, and disbursed on behalf of various student activities and clubs.

#### **PRIVATE PURPOSE TRUST FUND**

The Private Purpose Trust Fund accounts for the activity of various scholarship funds that provide scholarship grants to students of the District.

### **MEASUREMENT FOCUS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's total net position.

#### **FUND FINANCIAL STATEMENTS**

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.



Proprietary funds are also accounted for using the economic resources measurement focus.

### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### **ACCRUAL BASIS**

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

### **MODIFIED ACCRUAL BASIS**

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. Expenditures, other than principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments are recorded as fund liabilities when due and unpaid.

### **ALLOCATION OF INDIRECT EXPENSES**

The District does not allocate any indirect expenses, including depreciation.

### **BUDGETARY DATA**

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the administration to prepare and submit a plan of financial operation to the School Board.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and liquid asset funds, which are carried at cost.

**INVENTORIES**

Inventories are valued at the lower of cost (first-in, first-out method) or market except for donated inventories, which are valued at fair market value, as determined by the U.S. Department of Agriculture, at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

**CAPITAL ASSETS**

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

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their fair value at date of receipt. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land and construction in progress are depreciated. Land is never depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITY</u>
Land improvements	15 – 20 years	N/A
Buildings and improvements	30 – 40 years	N/A
Furniture and equipment	5 – 20 years	5 – 15 years

The District does not have any infrastructure capital assets.

If applicable, interest is capitalized on proprietary fund capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. However, no interest is capitalized on general capital assets.

#### **ASSETS HELD FOR CAPITAL PROJECTS**

Assets held for capital projects represent funds in the District's Capital Reserve Fund, which is accounted for as a Capital Projects Fund in the accompanying financial statements.

#### **DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES**

The balance sheet and statement of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, which are reported after total assets, are defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). Deferred inflows of resources, which are reported after total liabilities, are defined by GASB as an acquisition of net position that applies to future periods. The revenue, or reduction of expense, is recognized in the applicable future period(s). Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The District is required to report the following as deferred outflows of resources and deferred inflows of resources:

- Unavailable revenue – property taxes, which represents the portion of taxes receivable that does not meet both the measurable and available criteria for recognition in the current period in the governmental funds balance sheet. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.
- For defined benefit pension plan and the other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the District's proportion of expenses and liabilities to the pension as a whole, differences between the District's pension contributions and its proportionate share of contributions, and District contributions subsequent to the valuation measurement date.

### **UNEARNED REVENUE**

The District reports unearned revenue on its financial statements. Unearned revenue arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when cash is received prior to the provision of services. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

### **COMPENSATED ABSENCES**

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated (subject to maximum accumulations). The rate paid varies by position. Vacation leave is available only to administrative and twelve-month support employees and must generally be taken in the school year (August 1 to July 31) earned.

### **PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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. PSERS' investments are reported at fair value.

### **GOVERNMENT FUND BALANCE CLASSIFICATIONS**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its governmental fund balances as follows:

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the District’s “highest level of decision-making authority” which do not lapse at year-end. The School Board is its highest level of decision-making authority, and the School Board commits funds through resolutions.
- *Assigned* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through formal action of the School Board.
- *Unassigned* – includes fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

#### **NET POSITION**

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The District maintains the following classifications of net position:

- Net investment in capital assets – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.
- Restricted – the portion of net position subject to externally imposed conditions.
- Unrestricted – all other categories of net position. Net position may be designated for specific purposes by the School Board.

#### **ELIMINATIONS AND INTERNAL BALANCES**

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled “internal balances” on the statement of net position.

#### **RESTRICTED RESOURCES**

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

## **USE OF ESTIMATES**

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

## **NEW ACCOUNTING PRONOUNCEMENT**

In June 2017, the GASB issued its Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement was effective for 2022, however the adoption had no effect on the financial statements of the District.

In June 2018, the GASB issued its Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. This statement was effective for 2022, however the adoption had no effect on the financial statements of the District.

## **2. DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits and investments adhere to these statutes.

### **CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. At June 30, 2022, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$6,918,719, compared to the carrying amount of \$6,621,199. The difference is primarily due to items in transit and outstanding checks. \$6,418,719 of the District's deposits was exposed to custodial credit risk. \$6,377,078 of the bank balance was uninsured and collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with Commonwealth of Pennsylvania Act 72 of 1971, as amended. The remaining balance of \$41,641 is unsecured and uncollateralized.

### 3. REAL ESTATE TAXES

The real estate taxes for the District are collected from five boroughs and four townships. The tax on real estate, as levied by the School Board, was 53.68 mills (\$53.68 per \$1,000 of assessed valuation) in Susquehanna County and 15.40 mills (\$15.40 per \$1,000 of assessed valuation) in Wayne County. Susquehanna and Wayne Counties determine the assessed valuation of property 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

Delinquent real estate taxes receivable at June 30, 2022 amounted to \$408,631. The amount of taxes receivable is reported net of an allowance for doubtful collections of \$45,403.

### 4. DUE FROM OTHER GOVERNMENTS

The amount reported in the General Fund at June 30, 2022 as due from other governments is summarized below:

Commonwealth of Pennsylvania:	
State source revenue	\$ 856,707
Federal source revenue	587,455
Northeastern Educational Intermediate Unit #19,	
Federal source revenue	227,820
Pennsylvania Department of Human Services,	
Federal source revenue	2,581
County of Wayne	554
County of Susquehanna	<u>21,983</u>
Total	<u>\$ 1,697,100</u>

The amount reported in the Food Service Fund as due from other governments of \$80,325 represents \$2,559 due from the PDE for state meal subsidies as well as \$77,766 in federal funds passed through the PDE.

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS

## 5. CAPITAL ASSETS

The changes in the District's capital assets in 2022 are summarized as follows:

	BALANCE <u>JULY 1, 2021</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE <u>JUNE 30, 2022</u>
<b><u>Governmental activities:</u></b>				
Cost:				
Land	\$ 88,412			\$ 88,412
Land improvements	1,442,728			1,442,728
Buildings and improvements	16,390,486			16,390,486
Furniture and equipment	<u>1,543,680</u>			<u>1,543,680</u>
Total cost	<u>19,465,306</u>			<u>19,465,306</u>
Less accumulated depreciation:				
Land improvements	(826,764)	\$ (66,396)		(893,160)
Buildings and improvements	(11,313,963)	(358,747)		(11,672,710)
Furniture and equipment	<u>(1,457,620)</u>	<u>(15,296)</u>		<u>(1,472,916)</u>
Total accumulated depreciation	<u>(13,598,347)</u>	<u>(440,439)</u>		<u>(14,038,786)</u>
Governmental activities capital assets, net	<u>\$ 5,866,959</u>	<u>\$ (440,439)</u>		<u>\$ 5,426,520</u>
<b><u>Business – type activity:</u></b>				
Furniture and equipment	\$ 24,625			\$ 24,625
Less accumulated depreciation	<u>(10,554)</u>	<u>\$ (4,925)</u>		<u>(15,479)</u>
Business-type activity capital assets, net	<u>\$ 14,071</u>	<u>\$ (4,925)</u>		<u>\$ 9,146</u>



## 6. COMPENSATED ABSENCES

The changes in the District's compensated absences in 2022 are summarized as follows:

Balance, July 1, 2021	\$ 466,842
Increase	124,254
Decrease	<u>(160,216)</u>
Balance, June 30, 2022	430,880
Less current portion	<u>43,088</u>
Long-term compensated absences	<u>\$ 387,792</u>

The District normally pays its compensated absences from the General Fund.

## 7. SPECIAL TERMINATION BENEFITS

The District's collective bargaining agreements provide an early retirement incentive for those employees who retire with a specified level of service to the District and with PSERS. The District pays up to 60% of the employee's final salary in five equal annual payments beginning in the year immediately following retirement. Eleven retirees are receiving this benefit. The District used a discount rate of 4.0% to estimate the effect of making cash payments over a five-year period.

The changes in the District's special termination benefits liability in 2022 are summarized as follows:

Balance, July 1, 2021	\$ 180,463
Increase	150,736
Decrease	<u>(65,563)</u>
Balance, June 30, 2022	265,636
Less unamortized discount	<u>15,039</u>
Present value of special termination benefits	250,597
Less current portion	<u>79,472</u>
Long-term special termination benefits	<u>\$ 171,125</u>

The District normally pays special termination benefits from the General Fund.

## **8. PENSION BENEFITS**

### **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 PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

### **BENEFITS PROVIDED**

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011 vest after completion of 5 years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 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 (as defined in the Code) salary 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 death of an active member who has reached age sixty-two with at least one year of credited service (age sixty-five with at least three years of credited service for Class T-E and Class T-F members) or 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.

#### **MEMBER CONTRIBUTIONS**

Active members who joined PSERS prior to July 22, 1983 contribute 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.50% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001 and before July 1, 2011 contribute at 7.50% (Automatic Class T-D). For all new hires and members who elected Class T-D membership, the higher contribution rate began with services rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.30% (base rate) of the member's qualifying compensation. Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the contribution rate to fluctuate between 7.50% and 9.50% for Class T-E and 10.30% and 12.30% for Class T-F.

#### **EMPLOYER CONTRIBUTIONS**

The District's contractually required contribution rate for PSERS for the fiscal year ended June 30, 2022 was 33.99% 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 PSERS from the District were approximately \$2,553,000 for the year ended June 30, 2022.

### **ACTUARIAL ASSUMPTIONS**

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

- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% including inflation at 2.50%.
- Salary increases based on an effective average of 4.50%, which reflects an allowance for inflation of 2.50% and 2.00% for real wage growth and merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The 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 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.

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

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS

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Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.0 %	5.2 %
Private equity	12.0 %	7.3 %
Fixed income	35.0 %	1.8 %
Commodities	10.0 %	2.0 %
Absolute return	8.0 %	3.1 %
Infrastructure/MLPs	8.0 %	5.1 %
Real estate	10.0 %	4.7 %
Cash	3.0 %	0.1 %
Leverage	<u>(13.0)%</u>	0.1 %
	<u>100.0 %</u>	

**DISCOUNT RATE**

The discount rate used to measure the total PSERS 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, PSERS' 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 PSERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate share of the net pension liability	<u>\$26,621,000</u>	<u>\$20,282,000</u>	<u>\$14,935,000</u>

**FIDUCIARY NET POSITION**

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

**PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2022, the District reported a liability of \$20,282,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability as calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion of .0494%, which was an decrease of .0004% from its proportion calculated as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$1,242,000. At June 30, 2022, 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>
Net difference between projected and actual investment earnings		\$ 3,229,000
Changes in proportion	\$ 94,000	168,000
Changes in assumptions	984,000	
Difference between expected and actual experience	15,000	266,000
Difference between employer contributions and proportionate share of total contributions	3,000	7,000
Contributions after the measurement date	<u>2,553,000</u>	<u>                    </u>
	<u>\$ 3,649,000</u>	<u>\$ 3,670,000</u>

The District will recognize the \$2,553,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2023	\$ (633,000)
2024	(456,000)
2025	(442,000)
2026	<u>(1,043,000)</u>
TOTAL	<u>\$(2,574,000)</u>

## 9. POSTEMPLOYMENT BENEFITS

### *DISTRICT OPEB PLAN*

#### PLAN DESCRIPTION

The District provides postretirement healthcare benefits for teachers and administrative employees who retire with at least 30 years of public school service in Pennsylvania. The employee also shall have completed 15 years of service with the District and be at least age 55. The cost of such medical and prescription drug coverage for retirees is determined by the contract provisions at the time of retirement. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired teachers 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. Eligible members of the support personnel bargaining unit may also participate in the plan at their own expense.

The contribution requirements of plan members and the District are established and may be amended by the School Board. 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. Retirees do not contribute to the plan. The plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing benefits to plan member, or are legally protected from creditors.

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
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A total of 97 participants are covered by the benefit terms, including 83 active participants and 14 inactive (retired) participants currently receiving benefits. There are no participants entitled to but not receiving benefits under the plan.

**FINANCIAL INFORMATION**

The following is the District's other postemployment benefit (OPEB) liability, deferred outflows and inflows of resources related to OPEB and the OPEB expense for the fiscal year ended June 30, 2022:

Total OPEB liability	\$3,235,654
Plan fiduciary net position	<u>                    </u>
Net OPEB liability	<u>\$3,235,654</u>
Deferred outflows of resources,	
Changes of assumptions	\$ 310,484
Benefit payments subsequent to the measurement date	<u>141,999</u>
Total deferred outflows of resources	<u>\$ 452,483</u>
Deferred inflows of resources,	
Differences between expected and actual experience	\$ 503,996
Changes of assumptions	<u>227,385</u>
Total deferred inflows of resources	<u>\$ 731,381</u>
Covered-employee payroll	\$5,977,199
Plan fiduciary net position as a % of total OPEB liability	0.0%
Total OPEB liability as a % of covered-employee payroll	54.13%
Service cost	\$ 207,923
Interest on total OPEB liability	68,894
Amortization of deferred outflows of resources	31,069
Amortization of deferred inflows of resources	<u>(78,967)</u>
OPEB expense	<u>\$ 228,919</u>



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The District will recognize the \$141,999 reported as deferred outflows of resources resulting from plan contributions after the measurement date as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB income as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2023	\$ (47,898)
2024	(47,898)
2025	(47,898)
2026	(47,898)
2027	(47,898)
Thereafter	<u>(181,407)</u>
TOTAL	<u>\$ (420,897)</u>

**ACTUARIAL ASSUMPTIONS AND OTHER INPUTS**

The actuarial valuation on which the total OPEB liability is based is dated July 1, 2021. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method was entry age normal, level basis of pay.
- Healthcare cost trend rate of 5.5% in 2021 through 2023, with rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Salary increases are composed of a 2.5% cost of living adjustment, 1.0% real wage growth, and for teachers and administrators, a merit increase which varies by age from 0.0% to 2.75%.
- 100% of employees eligible for a district subsidy and 0% of employees eligible under Act 110/43 are assumed to elect coverage.
- Assumed retirement rates are based on PSERS plan experience and vary by age, gender and years of service. Withdrawal rates also vary by age, gender and years of service.
- The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets.

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- Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation (See Note 8). Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- The discount rate increased from 1.86% to 2.28%, based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.
- Participant data is based on census information as of June 2021. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2021-22 school year.

The following table presents the District's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$2,855,379</u>	<u>\$3,235,654</u>	<u>\$3,682,252</u>

The following table presents the District's total OPEB liability calculated using the discount rate of 2.28%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.28%) or one percentage point higher (3.28%) than the current rate:

	1% Decrease <u>1.28%</u>	Current Discount Rate <u>2.28%</u>	1% Increase <u>3.28%</u>
Total OPEB liability	<u>\$3,463,605</u>	<u>\$3,235,654</u>	<u>\$3,016,315</u>

**TOTAL OPEB LIABILITY**

The District's total OPEB liability of \$3,235,654 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2021. The following table presents the changes in the District's total OPEB liability for the fiscal year ending June 30, 2022:

Balance, July 1, 2020	<u>\$ 3,577,542</u>
Service cost	207,923
Interest on total OPEB liability	68,894
Differences between expected and actual experience	(373,460)
Changes of assumptions	(94,793)
Benefit payments	<u>(150,452)</u>
Net changes	<u>(341,888)</u>
Balance, June 30, 2021	<u>\$ 3,235,654</u>

***PSERS PLAN***

**PLAN DESCRIPTION**

PSERS provides premium assistance through 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, 2020 there were no assumed future benefit increases to participating eligible retirees.

**PREMIUM ASSISTANCE ELIGIBILITY CRITERIA**

Retirees of PSERS can participate in the premium assistance program if they satisfy the following criteria:

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

- Participate in the HOP or employer-sponsored health insurance program.

**DISTRICT CONTRIBUTIONS**

The District's contractually required contribution rate for the year ended June 30, 2022 was 0.80% 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 PSERS plan from the District were approximately \$60,000 for the year ended June 30, 2022.

**OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB**

At June 30, 2022, the District reported a liability of \$1,168,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0493%, which was a decrease of .0006% from its proportion calculated as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$68,000. At June 30, 2022, 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>
Net difference between projected and actual investment earnings	\$ 2,000	
Changes in proportion	23,000	\$ 38,000
Changes of assumptions	124,000	16,000
Difference between expected and actual experience	11,000	
Contributions after the measurement date	<u>60,000</u>	<u>          </u>
	<u>\$ 220,000</u>	<u>\$ 54,000</u>

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
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The District will recognize the \$60,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2023	\$ 18,000
2024	17,000
2025	18,000
2026	23,000
2027	17,000
Thereafter	<u>13,000</u>
TOTAL	<u>\$ 106,000</u>

**ACTUARIAL ASSUMPTIONS**

The PSERS total OPEB liability as of June 30, 2021, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return – 2.18 percent - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent 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 percent
  - Eligible retirees will elect to participate post age 65 at 70 percent

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, 2019 determined the employer contribution rate for fiscal year 2021
- Cost method: Amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method: Market value
- Participation rate: 63 percent of eligible retirees are assumed to elect premium assistance
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-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 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8 %	0.1%
US Core Fixed income	17.5 %	0.7%
Non-US Developed Fixed	<u>2.7 %</u>	(0.3)%
	<u>100.0 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

**DISCOUNT RATE**

The discount rate used to measure the PSERS Plan's total OPEB liability was 2.18 percent. 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 2.18 percent which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

**SENSITIVITY TO CHANGE IN HEALTHCARE COST TREND RATES**

The following table presents the District's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	Current Healthcare Cost Trend Rates	<u>1% Increase</u>
PSERS Net OPEB liability	<u>\$1,168,000</u>	<u>\$1,168,000</u>	<u>\$1,168,000</u>

**SENSITIVITY TO CHANGES IN DISCOUNT RATE**

The following table presents the District's total OPEB liability calculated using the discount rate of 2.18%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current rate:

	1% Decrease <u>1.18%</u>	Current Discount Rate <u>2.18%</u>	1% Increase <u>3.18%</u>
PSERS Net OPEB liability	<u>\$1,341,000</u>	<u>\$1,168,000</u>	<u>\$ 1,026,000</u>

### **OPEB PLAN FIDUCIARY NET POSITION**

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

## **10. INTERNAL BALANCES / INTERFUND TRANSFERS**

The Food Service Fund owed the General Fund \$394,529 at June 30, 2022 for reimbursement of salaries and benefits.

There were no interfund transfers in 2022.

## **11. CONTINGENCIES**

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 expenditure that may be disallowed pursuant to the terms of these grant programs. The District is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

The District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

## **12. NEW ACCOUNTING PRONOUNCEMENTS**

In March 2020, the GASB issued its Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. This statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. GASB Statement No. 94 will be effective for the District's fiscal year ending June 30, 2023.



In May 2020, the GASB issued its Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs) for government end users by (1) defining a SBITA; (2) establishing that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) providing capitalization criteria for outlays other than subscription payments; and (4) requiring certain note disclosures regarding a SBITA. GASB Statement No. 91 will be effective for the District's fiscal year ending June 30, 2023.

The District has not yet determined the effects of the adoption of the aforementioned GASB Statements on its financial statements.

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**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION - PSERS  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
 OF THE PSERS NET PENSION LIABILITY  
 YEARS ENDED JUNE 30  
 (UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the PSERS net pension liability	0.0494%	0.0498%	0.0499%	0.0491%	0.0522%	0.0499%	0.0500%	0.0499%
District's proportionate share of the PSERS net pension liability (in thousands)	<u>\$ 20,282</u>	<u>\$ 24,521</u>	<u>\$ 23,345</u>	<u>\$ 23,570</u>	<u>\$ 25,731</u>	<u>\$ 24,729</u>	<u>\$ 21,657</u>	<u>\$ 19,751</u>
District's covered employee payroll (in thousands)	<u>\$ 6,987</u>	<u>\$ 7,007</u>	<u>\$ 6,882</u>	<u>\$ 6,618</u>	<u>\$ 6,932</u>	<u>\$ 6,463</u>	<u>\$ 6,432</u>	<u>\$ 6,373</u>
District's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	290.28%	349.95%	339.22%	356.15%	371.19%	382.62%	336.71%	309.92%
PSERS fiduciary net position as a percentage of the PSERS total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

**Note to schedule:**

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27* in 2015. Information for years prior to 2015 is not available for reporting.

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION - PSERS  
 SCHEDULE OF THE DISTRICT'S PSERS PENSION CONTRIBUTIONS  
 YEARS ENDED JUNE 30  
 (UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
PSERS contractually required contribution (in thousands)	\$ 2,553	\$ 2,337	\$ 2,333	\$ 2,266	\$ 2,112	\$ 1,991	\$ 1,661	\$ 1,298
Contributions in relation to the contractually required contribution (in thousands)	<u>(2,553)</u>	<u>(2,337)</u>	<u>(2,333)</u>	<u>(2,266)</u>	<u>(2,112)</u>	<u>(1,991)</u>	<u>(1,661)</u>	<u>(1,298)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (in thousands)	<u>\$ 6,987</u>	<u>\$ 7,007</u>	<u>\$ 6,882</u>	<u>\$ 6,618</u>	<u>\$ 6,932</u>	<u>\$ 6,463</u>	<u>\$ 6,432</u>	<u>\$ 6,373</u>
Contributions as a percentage of covered-employee payroll	36.54%	33.35%	33.90%	34.24%	30.47%	30.81%	25.82%	20.37%

**Note to schedule:**

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27* in 2015. Information for years prior to 2015 is not available for reporting.

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY - DISTRICT PLAN  
 YEARS ENDED JUNE 30  
 (UNAUDITED)

	2022	2021	2020	2019	2018
<b>Changes in the total OPEB liability:</b>					
Service cost	\$ 207,923	\$ 147,792	\$ 175,687	\$ 162,253	\$ 173,122
Interest	68,894	106,102	99,464	99,680	79,729
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(373,460)	-	(219,318)	-	-
Changes of assumptions	(94,793)	371,626	(86,198)	1,196	(131,251)
Benefit payments	(150,452)	(126,544)	(115,870)	(132,541)	(122,723)
Other changes	-	-	-	-	-
Net change in pension liability	(341,888)	498,976	(146,235)	130,588	(1,123)
Total OPEB liability, beginning	<u>3,577,542</u>	<u>3,078,566</u>	<u>3,224,801</u>	<u>3,094,213</u>	<u>3,095,336</u>
Total OPEB liability, ending	<u>\$ 3,235,654</u>	<u>\$ 3,577,542</u>	<u>\$ 3,078,566</u>	<u>\$ 3,224,801</u>	<u>\$ 3,094,213</u>
Covered-employee payroll	\$ 5,977,199	\$ 6,017,492	\$ 6,017,492	\$ 5,633,803	\$ 5,633,803
Total OPEB liability as a percentage of covered-employee payroll	54.13%	59.45%	51.16%	57.24%	54.92%

**Note to schedule:** The District's OPEB plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
 OF THE PSERS NET OPEB LIABILITY  
 YEARS ENDED JUNE 30  
 (UNAUDITED)

	2022	2021	2020	2019	2018
District's proportion of the PSERS net OPEB liability	<u>0.0493%</u>	<u>0.0499%</u>	<u>0.0499%</u>	<u>0.0491%</u>	<u>0.0522%</u>
District's proportionate share of the PSERS net OPEB liability	<u>\$ 1,168</u>	<u>\$ 1,078</u>	<u>\$ 1,061</u>	<u>\$ 1,024</u>	<u>\$ 1,061</u>
District's covered employee payroll	<u>\$ 6,987</u>	<u>\$ 7,007</u>	<u>\$ 6,882</u>	<u>\$ 6,618</u>	<u>\$ 6,932</u>
District's proportionate share of the PSERS net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.38%	15.42%	15.47%	15.31%
Plan fiduciary net position as a percentage of the PSERS net OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

**Note to schedule:**

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
 SCHEDULE OF THE DISTRICT'S PSERS OPEB CONTRIBUTIONS  
 YEARS ENDED JUNE 30  
 (UNAUDITED)

	2022	2021	2020	2019	2018
PSERS contractually required contribution	\$ 60	\$ 57	\$ 59	\$ 57	\$ 57
Contributions in relation to the contractually required contribution	<u>(60)</u>	<u>(57)</u>	<u>(59)</u>	<u>(57)</u>	<u>(57)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 6,987</u>	<u>\$ 7,007</u>	<u>\$ 6,882</u>	<u>\$ 6,618</u>	<u>\$ 6,932</u>
Contributions as a percentage of covered-employee payroll	0.86%	0.81%	0.86%	0.86%	0.82%

**Note to schedule:**

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2021	TOTAL RECEIVED FOR THE YEAR	FEDERAL EXPEND- ITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2022
<u>U.S. DEPARTMENT OF EDUCATION</u>							
Passed through the Pennsylvania Department of Education:							
Title 1 Grants to Local Education Agencies	013-220424	84.010	\$ 270,297		\$ 267,065	\$ 267,065	\$ -
Title 1 Grants to Local Education Agencies	013-210424	84.010	262,354	\$ 83,750	83,750		-
Total Title 1 Grants to Local Education Agencies				<u>83,750</u>	<u>350,815</u>	<u>267,065</u>	<u>-</u>
Supporting Effective Instruction State Grants	020-220424	84.367	32,726		31,955	31,955	-
Supporting Effective Instruction State Grants	020-210424	84.367	33,542	6,419	6,419		-
Total Supporting Effective Instruction State Grants				<u>6,419</u>	<u>38,374</u>	<u>31,955</u>	<u>-</u>
Student Support and Academic Achievement Program	144-220424	84.424	19,645		19,634	19,634	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	200-200424	84.425D	178,600	47,000	47,000	-	-
COVID-19 Elementary and Secondary School Emergency Relief Fund II	200-210424	84.425D	964,655	(37,805)	476,060	745,034	231,169
COVID-19 Elementary and Secondary School Emergency Relief Fund ARP ESSER	223-210424	84.425U	1,951,218	-	603,104	967,662	364,558
COVID-19 ARP ESSER Learning Loss, Summer and Afterschool Programs	225-210424	84.425U	151,653	-	8,272	-	(8,272)
Total COVID-19 Elementary and Secondary Education				<u>9,195</u>	<u>1,134,436</u>	<u>1,712,696</u>	<u>587,455</u>
Passed through NEIU #19:							
Special Education Cluster:							
Special Education - Grants to States		84.027	227,820			227,820	227,820
Special Education - Grants to States		84.027	183,898	181,511	183,898	2,387	-
Total Special Education Cluster				<u>181,511</u>	<u>183,898</u>	<u>230,207</u>	<u>227,820</u>
Total U.S. Department of Education				<u>280,875</u>	<u>1,727,157</u>	<u>2,261,557</u>	<u>815,275</u>

See Notes to Schedule of Expenditures of Federal Awards

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS THROUGH GRANTOR NUMBER	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2021	TOTAL RECEIVED FOR THE YEAR	FEDERAL EXPEND- ITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2022
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>							
Passed through the Pennsylvania Department of Human Services, Medical Assistance Program		93.778	\$ 9,260	\$ <u>2,276</u>	<u>8,955</u>	<u>9,260</u>	\$ <u>2,581</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
Passed through the Pennsylvania Department of Education: P-EBT Local Level Administrative Cost Grant		10.649	614	<u>        </u>	<u>614</u>	<u>614</u>	<u>-</u>
Child Nutrition Cluster:							
School Breakfast Program	365	10.553	164,066		141,702	164,066	22,364
School Breakfast Program	365	10.553	88,347	21,138	21,138		-
National School Lunch Program	362	10.555	452,014		396,612	452,014	55,402
National School Lunch Program	362	10.555	197,887	52,632	52,632		-
Passed through the Pennsylvania Department of Agriculture, National School Lunch Program		10.555	36,940	<u>        </u>	<u>36,940</u>	<u>36,940</u>	<u>-</u>
Total Child Nutrition Cluster				<u>73,770</u>	<u>649,024</u>	<u>653,020</u>	<u>77,766</u>
Total U.S. Department of Agriculture				<u>73,770</u>	<u>649,638</u>	<u>653,634</u>	<u>77,766</u>
TOTAL				<u>\$ 356,921</u>	<u>\$ 2,385,750</u>	<u>\$ 2,924,451</u>	<u>\$ 895,622</u>

See Notes to Schedule of Expenditures of Federal Awards



**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Susquehanna Community School District under programs of the federal government for the year ended June 30, 2022. 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*. Therefore, some amounts 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 in the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If applicable, negative amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**3. INDIRECT COST RATE**

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

**4. PRIOR YEAR CORRECTION**

The schedule of expenditures of federal awards reporting for the period ending June 30, 2021 reported expenditures for PCCD Grant #35280, ALN 84.425D incorrectly. PCCD Grant #35280, ALN 84.425D should have been reported with expenditures totaling \$26,376.

*Brian T. Kelly, CPA*  
*& Associates, LLC*

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**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**

To the School Board of the  
Susquehanna Community School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Susquehanna Community School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2023.

**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 statement. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Carbondale, Pennsylvania  
January 9, 2023

*Brian T. Kelly, CPA*  
*& Associates, LLC*

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

To the School Board of the  
Susquehanna Community School District:

**Report on Compliance for Each Major Federal Program**

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

We have audited the Susquehanna Community School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each 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 each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.

## Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "B. Kelly CPA Firmotes L.L.C." The signature is written in a cursive style.

Carbondale, Pennsylvania  
January 9 2023

**SUSQUEHANNA COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

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

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

SUSQUEHANNA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Identification of major program:

Assistance Listing Number

84.425

Name of Federal Program or Cluster

Education Stabilization Fund

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

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes  X  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None.

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