SUGAR VALLEY RURAL CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2023

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Board of Trustees
Sugar Valley Rural Charter School
Loganton, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Sugar Valley Rural Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the Contents.

In our opinion, the accompanying 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 School, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 School's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 School'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 School'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 Management's Discussion & Analysis and the required supplementary information as listed in the Contents 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 School's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 24, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control over financial reporting and compliance.

Boyer & Ritter

State College, Pennsylvania
January 24, 2024

SUGAR VALLEY RURAL CHARTER SCHOOL
LOGANTON, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023

The management discussion and analysis of Sugar Valley Rural Charter School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the School's financial performance.

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

FINANCIAL HIGHLIGHTS

Overall, the 2022-23 budgeted revenues were $460,580 less than the previous year, and budgeted expenses were $218,200 less. The Board committed funds in the amount of $1,000,000 for summer payroll and $1,000,000 for summer operating expenses, as well as a $2,200,000 commitment for capital projects. This decreased the School's unassigned fund balance to ($378,647).

USING THE ANNUAL FINANCIAL STATEMENTS

The financial report consists of the MD&A and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Sugar Valley Rural Charter School as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental-fund statements tell how general School services were financed in the short-term, as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School operates like a business. For the School, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the School acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

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

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

Figure A-1
Required components of
Sugar Valley Rural Charter School's
Financial Report

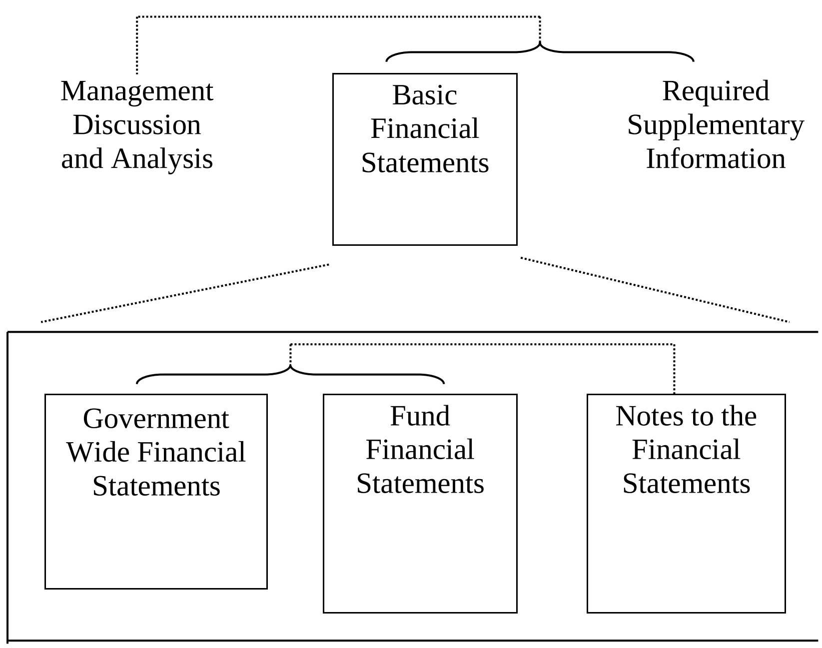

Figure A-2 summarizes the major features of the School's financial statements, including the portions of the School that the financial statements cover and the types of information the statements contain. The remainder of this overview section of MD&A explains the structure and contents of each of the statements.

Figure A-2
Major Features of Sugar Valley Rural Charter School's
Government-wide and Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the School's, in its entirety, using accounting methods applied generally by private-sector companies. The Statement of Net Position includes all the School's assets and liabilities. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how it has changed. Net position, the difference between the School's assets and liabilities, is one way to measure the School's financial health or position.

Over time, increases or decreases in the School's net position indicate whether the School's financial health is improving or deteriorating, respectively.

To assess the overall health of the School, you need to consider additional, non-financial factors, such as changes in the number of students and changes in student performance.

The School's government-wide financial statements are divided into two categories:

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The School's fund financial statements provide detailed information about the most significant funds - not the School as a whole. Some funds are required by state law and bond requirements.

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

Proprietary funds - These funds are used to account for the School's activities that are similar to business operations in the private sector; or where emphasis is on determining net income, financial position, changes in financial position and a significant portion of funding is provided by user-charges. When the School charges customers for services it provides, whether to outside customers or to other units in the School, these services are generally reported in proprietary funds. The Food Service Fund is the School's proprietary fund and is the business-type activity reported in the government-wide statements.

Fiduciary funds - The School is the trustee, or fiduciary, for some student activity funds. All of the School's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 28 and 29. We exclude these activities from the School's other financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's total net position was $(633,479) at June 30, 2023.

Table A-1
Condensed Statement of Net Position
June 30, 2023

	Governmental Activities		Business-Type Activity		Total	
	2022	2023	2022	2023	2022	2023
Current and other assets	$ 5,135,135	$ 4,936,154	$ 181,354	$ 181,055	$ 5,316,489	$ 5,117,209
Capital assets	11,623,343	12,071,007	46,226	90,684	11,669,569	12,161,691
Total assets	$ 16,758,478	$ 17,007,161	$ 227,580	$ 271,739	$ 16,986,058	$ 17,278,900
Deferred outflows of resources	$ 2,572,917	$ 2,366,302	$ 61,252	$ 48,043	$ 2,634,169	$ 2,414,345
Long-term liabilities outstanding	$ 17,286,180	$ 18,137,692	$ 304,610	$ 260,641	$ 17,590,790	$ 18,398,333
Other liabilities	1,470,536	961,100	26,436	33,787	1,496,972	994,887
Total liabilities	$ 18,756,716	$ 19,098,792	$ 331,046	$ 294,428	$ 19,087,762	$ 19,393,220
Deferred inflows of resources	$ 1,999,247	$ 916,681	$ 50,078	$ 16,823	$ 2,049,325	$ 933,504
Net Position						
Invested in capital assets, net of related debt	$ 6,145,335	$ 6,829,924	$ 46,226	$ 90,684	$ 6,191,561	$ 6,920,608
Restricted	1,101,643	69,666	-	-	1,101,643	69,666
Unrestricted - designated	-	4,200,000	-	-	-	4,200,000
Unrestricted - undesignated	(8,671,546)	(11,741,600)	(138,518)	(82,153)	(8,810,064)	(11,823,753)
Total net position	$ (1,424,568)	$ (642,010)	$ (92,292)	$ 8,531	$ (1,516,860)	$ (633,479)

Most of the School's net position is invested in capital assets (buildings, land, and equipment). The remaining, unrestricted net assets are undesignated amounts. The results of this year's operations in their entirety are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are presented to determine the final amount of the School's activities that are supported by other general revenues. The two largest general revenues are the tuition from students' home districts and grants from the federal and state governments.

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

Table A-2

Condensed Changes in Net Position

June 30,

	Governmental Activities		Business-Type Activity		Total	
	2022	2023	2022	2023	2022	2023
Revenues						
Program revenues						
Charges for services	$ 4,343	$ 5,647	$ 39,079	$ 35,627	$ 43,422	$ 41,274
Operating grants and contributions	9,044,842	9,037,542	438,307	368,060	9,483,149	9,405,602
General revenues						
Other income	208,355	204,842	1,002	2,722	209,357	207,564
Total revenues	9,257,540	9,248,031	478,388	406,409	9,735,928	9,654,440
Expenses						
Instruction	5,400,852	5,053,879	-	-	5,400,852	5,053,879
Instructional student support	927,981	890,472	-	-	927,981	890,472
Admin. and financial support	1,443,354	1,521,943	-	-	1,443,354	1,521,943
Operation and maint. of plant services	622,398	565,887	-	-	622,398	565,887
Pupil transportation	54,661	22,014	-	-	54,661	22,014
Student activities	189,074	219,540	-	-	189,074	219,540
Community service	-	200	-	-	-	200
Food service	-	-	355,991	305,586	355,991	305,586
Transfers	34,030	-	-	-	34,030	-
Facilities acquisition	22,855	-	-	-	-	-
Depreciation - unallocated	357,916	-	-	-	-	-
Interest on long-term debt	160,076	191,538	-	-	160,076	191,538
Total expenses	9,213,197	8,465,473	355,991	305,586	9,188,417	8,771,059
Transfers - net	(34,030)	-	-	-	(34,030)	-
Changes in net position	$ 10,313	$ 782,558	$ 122,397	$ 100,823	$ 513,481	$ 883,381

Tables A-3 and A-4 present the expenses of the School's Governmental and Business-type Activity.

Table A-3 shows the School's seven largest functions - instructional programs, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, and interest on long-term debt, and each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by tuition and other miscellaneous revenues.

Table A-3
Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
Functions/Programs	2022	2023	2022-23	2022	2023	2022-23
Instruction	$ 5,400,852	$ 5,053,879	-6.42%	$ 134,359	$ (3,493,125)	-2699.84%
Instructional student support	927,981	890,472	-4.04%	18,594	835,986	4396.00%
Admin. and financial support	1,443,354	1,521,943	5.44%	1,430,598	1,504,893	5.19%
Operation and maint. of plant services	622,398	565,887	-9.08%	1,460,361	148,185	-89.85%
Pupil transportation	54,661	22,014	-59.73%	654,569	22,014	-96.64%
Student activities	189,074	219,540	16.11%	583,435	212,593	-63.56%
Community service	-	200	0.00%	11,004	200	-98%
Interest on long-term debt	160,076	191,538	19.65%	1,839,167	191,538	-89.59%
	$ 8,798,396	$ 8,465,473	-3.78%	$ 6,132,087	$ (577,716)	-109.42%

Table A-4 reflects the activities of the Food Service Fund, the School's only business-type activity.

Table A-4
Business-Type Activity

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
Functions/Programs	2022	2023	2022-23	2022	2023	2022-23
Food service	$ 355,991	$ 305,586	-14.16%	$ (270,525)	$ (98,101)	-63.74%
Less: Investment earnings	-	-	0.00%	547	2,722	397.62%
	$ 355,991	$ 305,586	-14.16%	$ (271,072)	$ (100,823)	-62.81%

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund further details the 2022-23 operations.

THE SCHOOL'S FUNDS

At June 30, 2023, the School's governmental funds reported a combined fund balance of $3,891,019, which is an increase of $254,776 from the combined fund balance at June 30, 2022.

Governmental Funds

The financial performance of the School is also reflected in its governmental fund. As the School completed the year, its governmental funds reported a fund balance of $3,891,019. The general fund has a fund balance of $3,821,353 and the student activities fund balance is $69,666. The committed balance represents $1,000,000 for summer payroll and benefits, $1,000,000 for summer operating expenses, and $2,200,000 for capital projects. Restricted funds are $69,666 for student activities. The SVRCS Board uncommitted the remaining funds for Summer Payroll, Summer Operating expenses, and Capital Acquisitions on 12/19/23.

Sugar Valley Rural Charter School has established a fund balance for the purpose of unanticipated expenditures as well as large startup costs of a new school year, improvements based on student needs, for the raising of academic standards and the development of unique educational opportunities for the good of the greater SVRCS community. Funds may be allocated to such areas as curriculum, personnel costs and professional development, capital improvements, cyclical maintenance, and the enhancement of community participation at the SVRCS.

Revenues for the School's governmental funds was $9,161,460 ($9,283,462 in 2022) while total expenses were $8,996,881 ($14,308,631 in 2022). The difference in expenses is seen in the Capital Projects fund, which was completed in 2022.

Total governmental funds revenues decreased by $122,002 from the previous year. Tuition is based on average money spent per student in the Home School District. There was a decrease in tuition rates in 2022-2023. This was the main reason in the decreased revenue.

Total governmental funds expenditures decreased by $5,311,750 from the previous year. This decrease is due to the new gymnasium and purchase of real property representing the original school complex completed during the 2021-2022 school year. No big projects were done in 2022-2023.

In fiscal year ending June 30, 2023, salaries increased a minimum of 3% of the base pay for staff retained from the previous year. The School continues to look at various cost containment measures to minimize the effect of rising health insurance premiums have on the costs of the school's employee compensation packages.

During fiscal year ending June 30, 2023, a banking relationship was started with First National Bank. The School invested $1,000,000 in CD's with the promise of higher interest yields than a standard money market or savings account.

General Fund Budgetary Highlights

As a charter school, we need to prepare our budget months before the sending school district is required to complete their updated tuition rates, therefore the best estimate of the tuition from the sending school district is to use the current year's information. Generally, there is an increase in tuition rates from one school year to the next, but that is not always the case.

- Actual revenues were $669,498 more than expected.
- The actual expenditures were $170,222 more than budget.

The charter school does not budget ESSER grants due to various uncertainties with disbursements and reimbursements as well as reporting and eligibility requirements. This causes both actual revenues and expenses to show up higher than budget. This is the reason revenues were so much higher than expected.

There was no budget reported for capital expenditures. For this reason, as well as the one outlined above is why the expenses came in higher than the budget.

Proprietary Fund

Proprietary funds are established in the School to account for goods and services provided to the student body and staff. The food service fund is the enterprise fund of the school. Although the revenues of the cafeteria should not materially exceed its expenditures, changes in funding levels in 2022-23 resulted in food service fund revenues exceeding expenses by $100,823. The resulting excess cash balance at June 30, 2023, will be expended for food service activities in the coming years. At June 30, 2023, the food service fund had an accumulated deficit of ($82,153) and net investment in fixed assets of $90,684, for total Net Position of $8,531.

During fiscal year ending June 30, 2023, a banking relationship was started with First National Bank. The school now uses FNB as its primary bank for the day to day operation of food service due to the convenient location of the bank. The school continues to hold funds in Jersey Shore State Bank for its food service operation.

Proprietary Fund

A donation of $162,749 was given to the school from the Estate of Bruce C. Frankenberger. This money is to be used to establish one or more scholarships in the name of Bruce C. Frankenberger.

The full amount of this fund of $164,253 is restricted.

CAPITAL ASSETS

At June 30, 2023, the School had $11,860,936 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This balance is a net decrease of $267,931, or 2.31 %, from last year (including additions, deletions, and depreciation).

Table A-5
Capital assets - net of depreciation

	Governmental Activities		Business-Type Activity		Total	
	2022	2023	2022	2023	2022	2023
Land	$ 415,357	$ 415,357	$ -	$ -	$ 415,357	$ 415,357
Site improvements	27,503	23,240	-	-	27,503	23,240
Buildings and building improvements	10,614,783	10,816,112	-	-	10,614,783	10,816,112
Furniture and equipment	489,136	816,298	46,226	90,684	535,362	906,982
Total capital assets - net of depreciation	$ 11,546,779	$ 12,071,007	$ 46,226	$ 90,684	$ 11,593,005	$ 12,161,691

See Note 7 in the financial statements for details of additions and deletions.

DEBT ADMINISTRATION

The School has debt as of June 30, 2023. In March 2021, the School entered into a debt agreement with Jersey Shore State Bank. The Bank made up to $5,000,000 available to the School for construction of a gymnasium. The balance of the loan on June 30, 2023, was $4,367,574. The loan requires payments through March 24, 2053. Interest rates are fixed at 3.75 percent through March 24, 2028, and are variable thereafter. The variable rate is plus 0.5 percent over the Wall Street Journal U.S. Prime Rate, which is 8.25 percent as of June 30, 2023. Variable rates, other than default rates, are capped at 10 percent. The loan is secured with a lien on the property at 236 East Main Street, Loganton, PA.

On September 30, 2021, the School purchased real property and entered into a debt agreement with the seller, borrowing $2,344,770. The note required payment of $66,000 on September 30, 2021, a payment of $1,000,000 on October 15, 2021, and monthly payments starting October 15, 2021, as follows: 21 payments of $22,000; 24 payments of $17,000; 24 payments of $10,700; 35 payments of $8,200; and a final payment of $60. The interest rate is fixed at 3.0 percent. The balance of the loan on June 30, 2023, was $873,709. The loan is secured with a second lien on the property at 236 East Main Street, Loganton, PA.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The largest issues facing the School will be the effects of inflation and the continued increases in health care. The uncertainty of tuition rates is also an area of concern.

Comparisons of revenue and expenditure categories are as follows:

Table A-6
General Fund Budget Summary

	Original Budget 2022-23	Percentage	Original Budget 2023-24	Percentage
Revenues				
Local	$ 8,133,093	96.57%	$ 8,717,871	97.01%
State	9,000	0.11%	9,000	0.10%
Federal	279,941	3.32%	259,998	2.89%
Total revenues	$ 8,422,034	100.00%	$ 8,986,869	100.00%
Expenditures				
Instructional	$ 5,089,144	58.09%	$ 5,361,539	59.29%
Support services	2,988,184	34.11%	3,017,064	33.37%
Operation of non-instructional services	167,554	1.91%	180,172	1.99%
Debt service and other expenditures	516,001	5.89%	483,772	5.35%
Total expenditures	$ 8,760,883	100.00%	$ 9,042,547	100.00%
Use of Fund Balance	$ (338,849)		$ (55,678)	

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, parents, students, investors, and creditors with a general overview of the School's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Sugar Valley Rural Charter School, 236 East Main Street, Loganton, PA 17747.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-Type Activity	Total
Assets			
Cash and cash equivalents	$ 4,088,474	$ 149,593	$ 4,238,067
Investments	500,000	-	500,000
Due from other governments	371,211	-	371,211
Internal balances	(23,531)	23,531	-
Inventories	-	7,931	7,931
Capital assets			
Land and site improvements - net	438,597	-	438,597
Buildings and building improvements - net	10,816,112	-	10,816,112
Furniture and equipment - net	515,543	90,684	606,227
Vehicles - net	43,227	-	43,227
Right-to-use subscription assets - net	257,528	-	257,528
Total capital assets	$ 12,071,007	$ 90,684	$ 12,161,691
Total assets	$ 17,007,161	$ 271,739	$ 17,278,900
Deferred Outflows of Resources			
Deferred amounts on pension liability	2,036,000	42,000	2,078,000
Deferred amounts on OPEB liabilities	330,302	6,043	336,345
Total deferred outflows of resources	2,366,302	48,043	2,414,345
Total assets and deferred outflows of resources	$ 19,373,463	$ 319,782	$ 19,693,245

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activity	Total
Liabilities			
Accounts payable	$ 59,263	$ 1,900	$ 61,163
Accrued salaries and benefits	374,230	-	374,230
Accrued interest	5,114	-	5,114
Payroll deductions and withholdings	488,579	-	488,579
Unearned Revenue	33,914	27,608	61,522
Other current liabilities	-	4,279	4,279
Long-term liabilities			
Due within one year	298,263	-	298,263
Due in more than one year	4,942,820	-	4,942,820
Net pension liability	11,720,000	239,000	11,959,000
OPEB obligations	1,176,609	21,641	1,198,250
Total liabilities	19,098,792	294,428	19,393,220
Deferred Inflows of Resources			
Deferred amounts on pension liability	300,000	6,000	306,000
Deferred amounts on OPEB liabilities	616,681	10,823	627,504
Total deferred inflows of resources	916,681	16,823	933,504
Net Position			
Invested in capital assets - net of related debt	6,829,924	90,684	6,920,608
Restricted for student activities	69,666	-	69,666
Unrestricted - designated			
Summer payroll	1,000,000	-	1,000,000
Summer operating expenses	1,000,000	-	1,000,000
Capital projects	2,200,000	-	2,200,000
Unassigned	(11,741,600)	(82,153)	(11,823,753)
Total net position	(642,010)	8,531	(633,479)
Total liabilities, deferred inflows of resources and net position	$ 19,373,463	$ 319,782	$ 19,693,245

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities:							
Instruction	$ 5,053,879	$ -	$ 8,547,004	$ -	$ 3,493,125	$ -	$ 3,493,125
Instructional student support	890,472	-	54,486	-	(835,986)	-	(835,986)
Administrative and financial support	1,521,943	-	17,050	-	(1,504,893)	-	(1,504,893)
Operation and maintenance of plant services	565,887	-	417,702	-	(148,185)	-	(148,185)
Pupil transportation	22,014	-	-	-	(22,014)	-	(22,014)
Student activities	219,540	5,647	1,300	-	(212,593)	-	(212,593)
Community services	200	-	-	-	(200)	-	(200)
Interest on long-term debt	191,538	-	-	-	(191,538)	-	(191,538)
Total governmental activities	8,465,473	5,647	9,037,542	-	577,716	-	577,716
Business-type activity:							
Food service	305,586	35,627	368,060	-	-	98,101	98,101
Total Primary Government	$ 8,771,059	$ 41,274	$ 9,405,602	$ -	$ 577,716	$ 98,101	$ 675,817
General Revenues:							
Grants, subsidies and contributions - not restricted					$ 112,576	$ -	$ 112,576
Investment earnings					85,471	2,722	88,193
Miscellaneous income					6,795	-	6,795
Total general revenues and transfers					204,842	2,722	207,564
Changes in net position					782,558	100,823	883,381
Net (Deficit) Position - July 1, 2022					(1,424,568)	(92,292)	(1,516,860)
Net (Deficit) Position - June 30, 2023					$ (642,010)	$ 8,531	$ (633,479)

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	Major Fund	Non-Major Fund	
	General Fund	Student Activities Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 4,018,648	$ 69,826	$ 4,088,474
Investments	500,000	-	500,000
Due from other governments	371,211	-	371,211
Total assets	$ 4,889,859	$ 69,826	$ 4,959,685
Liabilities			
Accounts payable	$ 59,263	$ -	$ 59,263
Accrued salaries and benefits	374,230	-	374,230
Payroll deductions and withholdings	488,579	-	488,579
Unearned revenue	123,063	-	123,063
Due to other funds	23,371	160	23,531
Total liabilities	1,068,506	160	1,068,666
Fund Balances			
Restricted for:			
Student activities	$ -	$ 69,666	$ 69,666
Committed fund balance for:			
Summer payroll	1,000,000	-	1,000,000
Summer operating expenses	1,000,000	-	1,000,000
Capital projects	2,200,000	-	2,200,000
Unassigned	(378,647)	-	(378,647)
Total fund balances	3,821,353	69,666	3,891,019
Total liabilities, deferred inflows of resources and fund balances	$ 4,889,859	$ 69,826	$ 4,959,685

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

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

Total Fund Balances - Governmental Funds		$	3,891,019
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Cost of assets	14,209,970		
Less accumulated depreciation	(2,138,963)		12,071,007
Revenues receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred revenues in the funds.			89,149
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for details):			
Deferred inflows			(300,000)
Deferred outflows			2,036,000
Deferred inflows and outflows or resources related to OPEB are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for details):			
Deferred inflows			(616,681)
Deferred outflows			330,302
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities and related accrued interest at year-end consist of:			
Notes payable	(5,241,083)		
Accrued interest	(5,114)		
Net pension liability	(11,720,000)		
Other post-employment benefits	(1,176,609)		(18,142,806)
Total net position - governmental activities		$	(642,010)

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	Major Fund	Non-Major Funds		
	General Fund	Capital Projects Fund	Student Activities Fund	Total Governmental Funds
Revenues				
Local sources	$ 8,222,715	$ -	$ 69,928	$ 8,292,643
State sources	9,050	-	-	9,050
Federal sources	859,767	-	-	859,767
Total revenues	$ 9,091,532	$ -	$ 69,928	$ 9,161,460
Expenditures				
Instructional	$ 4,869,580	$ -	$ -	$ 4,869,580
Support services	2,333,382	-	-	2,333,382
Operation of non-instructional services	600,670	-	-	600,670
Student transportation	21,900	-	-	21,900
Student activities	150,229	-	65,775	216,004
Capital outlay	437,045	(3)	-	437,042
Scholarships awarded	200	-	-	200
Debt service	518,103	-	-	518,103
Total expenditures	$ 8,931,109	$ (3)	$ 65,775	$ 8,996,881
Excess of revenues over expenditures	$ 160,423	$ 3	$ 4,153	$ 164,579
Other Financing Sources				
Proceeds from notes payable	-	90,197	-	90,197
Total other financing sources	$ -	$ 90,197	$ -	$ 90,197
Net changes in fund balances	$ 160,423	$ 90,200	$ 4,153	$ 254,776
Fund Balances - July 1, 2022	$ 3,660,930	$ (90,200)	$ 65,513	$ 3,636,243
Fund Balances - June 30, 2023	$ 3,821,353	$ -	$ 69,666	$ 3,891,019

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net changes in fund balances - total governmental funds		$	254,776
Amounts reported for governmental activities in the Statement of Activities are different because:			
Amounts that are expensed in the fund financial statements that represent prepayments are recorded on the full accrual basis in the statements of the net position and activities. This reconciling item respresents an decrease in prepaid expense, as compared to prior year.			(34,803)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense.			
Capital outlays	626,443		
Depreciation expense	(428,095)		198,348
Amounts that are received after the period of availability (60 days) are not recognized as revenue in the governmental fund statements, but are recognized as revenue in full accrual statement of net position.			86,571
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current, financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here.			(557)
Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the costs of pension and OPEB benefits earned, net of employees' contributions, is reported as pension and OPEB expense.			
District pension and OPEB contributions (PSERS)			1,320,000
Cost of benefits earned net of employees' contributions (PSERS)			(1,184,579)
Some expenses reported in the Statement of Activities do not require the use of current, financial resources, and therefore, are not reported as expenditures in governmental funds.			
Other post-employment benefits (District Plan)			(94,123)
The issuance of long-term debt provides current, financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current, financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Long-term debt proceeds	(90,197)		
Repayment of debt obligation principal	327,122		236,925
Changes in net position of governmental activities		$	782,558

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local sources	$ 8,133,093	$ 8,133,093	$ 8,222,715	$ 89,622
State sources	9,000	$ 9,000	9,050	50
Federal sources	279,941	$ 279,941	859,767	579,826
Total revenues	8,422,034	8,422,034	9,091,532	669,498
Expenditures				
Instructional	5,089,145	5,089,145	4,869,580	219,565
Support services	2,300,245	2,300,245	2,333,382	(33,137)
Operation of non-instructional services	664,144	664,144	600,670	63,474
Student transportation	23,797	23,797	21,900	1,897
Student activities	167,555	167,555	150,429	17,126
Capital outlay	-	-	437,045	(437,045)
Debt service	516,001	516,001	518,103	(2,102)
Total expenditures	8,760,887	8,760,887	8,931,109	(170,222)
Excess of revenues over expenditures	(338,853)	(338,853)	160,423	499,276
Net change in fund balance	$ (338,853)	$ (338,853)	160,423	$ 499,276
Fund Balance - July 1, 2022			3,660,930	
Fund Balance - June 30, 2023			$ 3,821,353	

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
June 30, 2023

Assets		
Cash and cash equivalents	$	149,593
Due from other funds		23,531
Inventories		7,931
Other captial assets, net of depreciation		90,684
Total assets	$	271,739
Deferred Outflows of Resources		
Deferred amounts on pension liability		42,000
Deferred amounts on OPEB liability		6,043
	$	48,043
Liabilities		
Accounts payable	$	1,900
Deferred revenue		27,608
Deposits		4,279
Long-term liabilities		
Net pension liability		239,000
OPEB obligations		21,641
Total current liabilities	$	294,428
Deferred Inflows of Resources		
Deferred amounts on pension liability	$	6,000
Deferred amounts on OPEB liability		10,823
	$	16,823
Net Position		
Invested in capital assets - net of related debt	$	90,684
Unrestricted		(82,153)
Total net position	$	8,531

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2023

Operating Revenues		
Food service revenues	$	35,627
Operating Expenses		
Salaries		105,028
Employee benefits		(2,471)
Food and milk		169,696
Contracted services		580
Technical services		1,149
Purchased property services		2,866
Miscellaneous		45
Supplies		16,279
Depreciation		12,414
Total operating expenses		305,586
Operating loss		(269,959)
Non-operating Revenues		
Federal and state subsidies - net		368,060
Investment earnings		2,722
Total non-operating revenues - net		370,782
Change in net position		100,823
Net Position - July 1, 2022		(92,292)
Net Position - June 30, 2023	$	8,531

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2023

Cash Flows From Operating Activities	
Cash received from food sales	$ 46,090
Salaries and benefits	(166,572)
Payments for goods and services	(184,842)
Net cash used in operating activities	(305,324)
Cash Flows From Noncapital Financing Activities	
Federal and state subsidies	337,197
Net cash provided by noncapital financing activities	337,197
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(56,872)
Cash Flows From Investing Activities	
Investment earnings	2,722
Net decrease in cash and cash equivalents	(22,277)
Cash and Cash Equivalents:	
July 1, 2022	171,870
June 30, 2023	$ 149,593
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (269,959)
Adjustments to reconcile operating loss to net cash used in operating activities	
Value of donated commodities	32,908
Depreciation	12,414
(Increase) decrease in:	
Due from other funds	(27,061)
Inventories	(2,684)
Deferred outflows	13,209
Decrease (increase) in:	
Accounts payable	2,610
Deferred revenue	10,463
Deferred inflows	(33,255)
Pension and OPEB liability	(43,969)
Net cash used in operating activities	$ (305,324)

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF FIDUCIARY NET POSITION - SCHOLARSHIP TRUST FUND
June 30, 2023

	Scholarship Trust Fund
ASSETS	
Cash	$ 164,253
Total assets	164,253
NET POSITION	
Restricted for	
Scholarships and student groups	$ 164,253
Total net position	$ 164,253

See Notes to Financial Statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - SCHOLARSHIP TRUST FUND
Year Ended June 30, 2023

	Scholarship Trust Fund
Additions	
Contributions	$ 162,767
Investment earnings	1,504
Total revenue	164,271
Deductions	
Scholarships and awards	200
Total expenses	200
Change in net position	164,071
Net Position - July 1, 2022	182
Net Position - June 30, 2023	$ 164,253

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Sugar Valley Rural Charter School (the School), located in Loganton, Clinton County, Pennsylvania, was formed in accordance with Act 22 of 1997. Act 22 permits local citizens to conceive, implement, and operate public schools that are independent of local school boards. The School's original charter was approved on December 14, 1999, and was renewed for each of the five-year periods beginning July 1, 2005, 2010, 2015, and 2020.

Although the School is a non-profit organization, the School operates under current standards prescribed by the Pennsylvania Department of Education. That Department requires that the School's financial statements be prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification is recognized as U.S. generally accepted accounting principles for state and local governments.

The financial statements of Sugar Valley Rural Charter School (the School) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

In evaluating the School as a reporting entity, management has addressed all potential component units, which may or may not fall within the School's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the School's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the School. The School is not a component unit of another reporting entity, nor does it have any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tuition and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided in the report for all of the governmental, proprietary, and fiduciary funds of the School, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tuition revenue from a student's resident district is recognized in the period in which the student attends the school. Grants which are expenditure-driven are recognized as revenue when the specified reimbursable expense is incurred, provided any other eligibility criteria have also been met. Any amounts that have been received, but not yet expended by year end, are recorded as deferred revenue. Net positions (total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

Governmental fund financial statements are reported using the "current financial resources measurement focus" and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state, and other grants designated for payment of specific School expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

When both restricted and unrestricted (including committed, assigned, and unassigned) resources are available for use, it is the School's policy to generally use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed. However, the School does use unassigned monies at times to pay for expenditures that may have been Board committed.

Governmental funds are those through which most governmental functions of the School are financed. The acquisitions, uses and balances of the School's expendable, financial resources, and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The School reports the following major governmental funds:

> The General Fund is the School's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from tuition from students' home districts and state and Federal distributions. Many of the more important activities of the School; including instruction, administration of the School, and certain non-instructional services; are accounted for in this fund.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The Capital Projects fund is a non-major fund.

The Student Activities Special Revenue Fund was established with Section 511 of the PA School Code for school sponsored student organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement 84. Resources are restricted to expenditures for the sponsored organizations and publications. The Student Activities Special Revenue fund is a non-major fund.

The School operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the School's food service program.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. The principal operating revenues of the School's enterprise fund are food service charges. Operating expenses for the School's enterprise fund include food production costs, supplies, administrative costs, and depreciation of capital assets. All revenues or expenses not meeting these classifications are reported as nonoperating revenues and expenses.

The School does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

Fiduciary funds are used to account for funds collected on behalf of others, which are subsequently disbursed to individuals, private organizations, other governments, and/or other funds. Fiduciary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities associated with their activities are reported. Fiduciary fund equity is classified as net position. Fiduciary funds are reported only at the fund level; therefore, consideration as a major fund is not applicable.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The School reports the following fiduciary fund:

> The Scholarship Trust Fund accounts for activities in the various scholarship and trust accounts, the sole purposes of which are to provide annual scholarships and other private goodwill activities to qualifying students and teachers as prescribed by donor stipulations.

D. Budget and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the School's budget and reporting of its financial statements, specifically:

> The School is required to prepare an operating budget for the succeeding fiscal year.
>
> The School is required to publish notice by advertisement, at least once in two newspapers of general circulation, in the municipality in which the School is located, and within 15 days of final action, that the proposed budget has been prepared, and is available for public inspection at the School's Administrative Office.
>
> Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to the Board taking final action on budget adoption.

Legal budgetary control is maintained at the sub-function/major-object level. The Board may make transfers of appropriated funds to any particular expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at, or below the level of budgetary control, and includes the effect of approved budget amendments.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

<u>Cash and Cash Equivalents</u>: For purposes of the Statement of Cash Flows presented for the proprietary fund, the School considers all highly-liquid investments with maturities of 90 days or less when purchased to be cash equivalents.

<u>Investments</u>: Investments are carried at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Inventories: On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis (FIFO), and are expensed when used. Donated inventory received through the Pennsylvania Department of Agriculture is valued at rates approved by that Department. These values are representative of market values.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are capitalized at the discretion of management, unless the assets are acquired by debt proceeds, in which case the asset is required to be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extents to which the assets are parts of larger capital projects. The School maintains a capitalization threshold of $2,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets' lives are not capitalized.

Depreciation is provided for capital assets on the straight-line basis over the estimated useful lives of the assets or groups of assets as determined by management. Proprietary funds equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5-15 years.

Government-Wide Statements: In the government-wide financial statements, depreciation of all exhaustible capital assets is recorded as a direct expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the applicable governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as capital assets, which are presented in the government-wide statements.

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The School recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The School has identified these items in subsequent notes to the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position.

Lease and Subscription-Based Information Technology Arrangement (SBITA) Liabilities: The School enters into non-cancellable arrangements for the leasing of buildings and equipment and for subscription-based information technology. Lease and SBITAs that are significant, either individually or in the aggregate, are recognized as a liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a lease or SBITA, the School initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The right-to-use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the contract commencement date. Subsequently, the right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the School determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term, and (3) contract payments. The School uses the interest rate charged by the lessor as the discount rate for lease and SBITA liabilities, if provided. When the interest rate charged is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases and SBITA liabilities.

The term includes the non-cancellable period of the lease or SBITA. Payments included in the measurement of the liability are composed of fixed payments and the purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its arrangements and will remeasure the related asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Right-to-use assets are reported with other capital assets and leases, and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Compensated Absences: The School pays employees for any unused vacation or other leave before each year end. Therefore, the School had no liabilities for compensated absences as of June 30, 2023.

Other Post-Employment Benefits: The School currently provides payments to retirees, who have met certain criteria, to be used towards the cost of health insurance until the retiree reaches Medicare Age or age 65, whichever comes first. For subsidized members, the School will pay 100% of the single premium for medical, prescription drug, and vision coverage for the retiree and provide assistance with health copays as available to employees. In accordance with GASB standards, this liability is only recorded in the government-wide statements since it is a long-term liability. It is expensed as paid in the fund financial statements.

The School also participates in a governmental cost-sharing, multiple employer, Other Post-Employment Benefit Plan (OPEB) with Public School Employees Retirement System (PSERS) for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows, and inflows of resources to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position, have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due, and payable in accordance with the benefit terms. Investments are reported at fair value.

The balances of the School's OPEB obligations and deferred outflows/inflows of resources at June 30, 2023, are as follows:

OPEB Obligations	Governmental	Business-Type	Total
PSERS Cost-Sharing Plan - OPEB Obligation	$ 487,000	$ 10,000	$ 497,000
District Plan - OPEB Obligation	689,609	11,641	701,250
Total	$ 1,176,609	$ 21,641	$ 1,198,250
Deferred Outflows of Resources			
PSERS Cost-Sharing Plan obligation	$ 138,200	$ 2,800	$ 141,000
District OPEB Plan obligation	192,102	3,243	195,345
Total	$ 330,302	$ 6,043	$ 336,345
Deferred Inflows of Resources			
PSERS Cost-Sharing Plan obligation	$ 117,700	$ 2,400	$ 120,100
District OPEB Plan obligation	498,981	8,423	507,404
Total	$ 616,681	$ 10,823	$ 627,504

Additional disclosures related to other post-employment benefits of the School's Single Employer and PSERS Cost-Sharing Plans are in notes 7 and 8, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

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

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts.

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide Statements of Net Position and Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements - Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flows of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Deferred Inflows of Resources – Pensions and Other Post-Employment Benefits: The School recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The School has identified these items in subsequent notes to the financial statements.

Deferred Inflows of Resources - Unearned Revenues: Governmental funds record revenues as deferred inflows of resources when they are measurable but not yet available. The School has defined that revenues are available if received within 60 days of year end. However, the school has noted that revenues from expenditure-driven grants are generally available for collection soon after the related expenditures are incurred. As a matter of practicality and consistency, the School has decided to consider all such expenditure-driven grant revenue as available when the related expenditure has been incurred, provided any other eligibility criteria have also been met.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Fund Balances:

Fund Financial Statements - Governmental fund equity is classified as fund balance. The School's fund-balance classifications are defined and described as follows:

Non-spendable: Represents fund balance that cannot be spent because it is not in a spendable form or is contractually required to be maintained intact.

Restricted: Represents fund balance that is constrained for a specific purpose through restrictions imposed by external parties, constitutional provision, or enabling legislation.

Committed: Represents fund balance that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the School's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specific purposes through the same actions it used to commit the funds.

Assigned: Represents fund balance that is constrained by the School's intent to be used for a specific purpose but is neither restricted nor committed. The Board has not delegated the authority to anyone to make commitments.

Unassigned: Represents fund balance that is not restricted, committed, or assigned to specific purposes within the General Fund.

The School has a board policy which prescribes fund balance guidelines. The School will strive to maintain assigned and unassigned General Fund balances of not less than five percent, and not more than eight percent of budgeted expenditures for that year.

Equity Classifications:

Government-wide financial statements - equity is classified as net position and displayed in three components:

a. Invested in capital assets, net of related debt - consists of capital assets, including restricted, capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
b. Restricted net position - consists of net assets constrained by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position - consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activity columns of the Statement of Net Position, except for the net, residual amounts due between governmental and the business-type activity, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statements of Activities except for the net amounts of transfers between governmental and the business-type activity, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

<u>Use of Estimates</u>: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

<u>Subsequent Events</u>: In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through January 24, 2024, the date that the financial statements were available to be issued.

F. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which, based on our review, may be applicable to the School's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The adoption of this pronouncement was determined not to have a material impact on the School's beginning balances and current year results.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnerships. The adoption of this pronouncement was determined not to have a material impact on the School's beginning balances and current year results.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this pronouncement resulted in the measurement of SBITA liabilities using the remaining lease term and discount rate at July 1, 2022, and the right-to-use assets were measured based on the lease liability. Accordingly, a restatement of net position was not necessary to implement this statement.

GASB Statement No. 99, *Omnibus 2022*, is effective for the School in fiscal years ending between June 30, 2022 and 2024, depending on the topics addressed and their relation to other standards. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The adoption of this pronouncement was determined not to have a material impact on the School’s beginning balances and current year results.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62.* will be effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

GASB Statement No. 101, *Compensated Absences*, will be effective for the School beginning with its year ending June 30, 2025 (fiscal years beginning after December 15, 2023). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements.

Note 2. Deposits and Investments

Under Section 440.1 of the Code, as amended, the School is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:

    1. The Federal Deposit Insurance Corporation (FDIC), or
    2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
    3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above insurable maximums, provided that approved collateral, as mandated by law, is pledged by the depository.
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions.
- Shares of investment companies, whose investments are restricted to the above categories.

The School's deposit and investment policies adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or School policies.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that, in the event of a bank failure, the School's investments may not be returned to it. As of June 30, 2023, $4,445,285 of the School's total bank balances of $4,945,285, was exposed to custodial-credit risk as follows:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	$ 250,000	$ 250,000	Jersey Shore State Bank
Insured (FDIC)	250,000	250,000	First National Bank of Pennsylvania
Uninsured and collateralized by assets maintained in conformity with Act 72	3,648,856	3,691,823	Jersey Shore State Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	753,462	753,462	First National Bank of Pennsylvania
	$ 4,902,318	$ 4,945,285	

Act 72, as amended, is an Act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts, and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as the pledgers of the assets.

Note 2. Deposits and Investments (Continued)

Concentrations of Credit Risk

The School places no limit on the amounts invested in any one issuer.

Note 3. Interfund Accounts and Transfers

Interfund balances result from the time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within the following year.

The following interfund balances were recorded as of June 30, 2023.

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General Fund	$ -	$ 23,371
Total governmental	$ -	$ 23,371
Major Business-Type Funds		
Food Service Fund	$ 23,531	$ -
Total business-type	$ 23,531	$ 23,371

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect said revenues to the fund that statute or budget requires to spend them or (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no interfund transfers for the year ended June 30, 2023.

SUGAR VALLEY RURAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

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

	July 1, 2022	Increases	Decreases	June 30, 2023
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 415,357	$ -	$ -	$ 415,357
Construction-in-process	12,563	-	12,563	-
Total capital assets not being depreciated	427,920	-	12,563	415,357
Capital and right-to-use assets being depreciated/amortized				
Site improvements	176,192	-	-	176,192
Buildings and building improvements	11,434,998	459,328	-	11,894,326
Furniture and equipment	998,303	125,154	-	1,123,457
Vehicles	259,967	-	-	259,967
Right-to-use subscription assets	290,937	54,524	4,790	340,671
Total capital and right-to-use assets being depreciated/amortized	13,160,397	639,006	4,790	13,794,613
Less accumulated				
Site improvements	148,689	4,263	-	152,952
Buildings and building improvements	820,215	257,999	-	1,078,214
Furniture and equipment	509,167	98,747	-	607,914
Vehicles	195,966	20,774	-	216,740
Right-to-use subscription assets	41,621	46,312	4,790	83,143
Total accumulated depreciation and amortization	1,715,658	428,095	4,790	2,138,963
Total capital and right-to-use assets being depreciated/amortized, net	11,444,739	210,911	-	11,655,650
Governmental Activities, Capital and Right-to-Use Assets - Net	$ 11,872,659	$ 210,911	$ 12,563	$ 12,071,007
Business-Type Activity				
Furniture and equipment	$ 111,952	$ 56,872	$ -	$ 168,824
Total Business-Type Activity	111,952	56,872	-	168,824
Less accumulated depreciation				
Furniture and equipment	65,726	12,414	-	78,140
Business-Type Activity, Capital Assets - Net	$ 46,226	$ 44,458	$ -	$ 90,684

Note 4. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	$ 306,096
Instructional student support	30,915
Administration and financial support	71,318
Operation and maintenance of plant services	14,216
Pupil Transportation	114
Student activities	5,436
Community Services	-
Total governmental activities	428,095
Business-Type Activity:	
Food Service	12,414
Total School District	$ 440,509

Note 5. Long-Term Liabilities

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

	Balances July 1, 2022	Increases	Decreases	Balances June 30, 2023	Due within one year
Governmental Activities:					
Seller financing loan	$ 1,107,485	$ -	$ 233,976	$ 873,509	$ 180,260
Jersey Shore State Bank loan	4,370,523	90,197	93,146	4,367,574	118,003
Total long-term debt	$ 5,478,008	$ 90,197	$ 327,122	$ 5,241,083	$ 298,263

<u>Jersey Shore State Bank Loan</u> - In March 2021, the School entered into a debt agreement with Jersey Shore State Bank. The Bank made up to $5,000,000 available to the School for construction of a gymnasium. The balance of the loan on June 30, 2023, was $4,367,574. The loan requires payments through March 24, 2053. Interest rates are fixed at 3.75 percent through March 24, 2028, and are variable thereafter. The variable rate is plus 0.5 percent over the Wall Street Journal U.S. Prime Rate, which is 8.25 percent as of June 30, 2023. Variable rates, other than default rates, are capped at 10 percent. The loan is secured with a lien on the property at 236 East Main Street, Loganton, PA.

Note 5. Long-Term Liabilities (Continued)

Seller Financing Loan - On September 30, 2021, the School purchased real property from the Sugar Valley Concerned Citizens (SVCC) and entered into a debt agreement, borrowing $2,344,770 from the SVCC. The note required payments of $66,000 on September 30, 2021, and $1,000,000 on October 15, 2021, and monthly payments beginning October 15, 2021, as follows: 21 payments of $22,000; 24 payments of $17,000; 24 payments of $10,700; 35 payments of $8,200; and a final payment of $60. The interest rate is fixed at 3.0 percent. The loan is secured with a second lien on the property at 236 East Main Street, Loganton, PA.

The School is currently in compliance with all debt covenants relative to the foregoing obligations. Those covenants include inclusion of annual debt service in the School's fiscal-year budget; appropriation of said debt service from the School's general revenues; and punctual payment of principal and interest of each obligation.

Annual maturities of long-term debt are as follows:

	Long-Term Debt		
Years ending June 30,	Principal	Interest	Total
2024	$ 298,263	$ 185,507	$ 483,770
2025	308,247	175,525	483,772
2026	241,922	166,250	408,172
2027	250,264	157,908	408,172
2028	228,481	149,691	378,172
2029-2033	950,996	644,512	1,595,508
2034-2038	925,971	472,889	1,398,860
2039-2043	1,116,609	282,251	1,398,860
2044-2046	920,330	63,438	983,768
	$ 5,241,083	$ 2,297,971	$ 7,539,054

Compensated Absences

The School pays employees for any unused vacation or other leave before each year end. Therefore, the School had no liabilities related to compensated absences as of June 30, 2023.

Other Post-Employment Benefits

As described in Notes 7 and 8, the School provides access to retiree health and dental care benefits to eligible retired employees and qualified spouses/beneficiaries. The School has estimated the costs of providing these benefits through an actuarial valuation

Note 6. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

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

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

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

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

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

Note 6. Defined-Benefit Pension Plan (Continued)

Contribution Rates

Member Contributions

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

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

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

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2023, was 34.51% 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. Included in the School's contractually required contribution rate is the Act 5 contribution rate totaling an estimated .20 percent.

The School is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total School's rate. The School's contributions to the Plan, relating to pension benefits, for the year ended June 30, 2023, was $1,376,915, and is equal to the required contribution for the year.

Note 6. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2023, the School reported a liability of $11,959,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School's reported proportion was .1045 percent, which was an decrease of .0001 percent from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the School recognized pension expense of $1,179,332. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	$ 5,000	$ 103,000
Changes in assumptions	357,000	-
Net difference between projected and actual investment	-	203,000
Changes in proportions	327,000	-
Difference between employer contributions and proportionate share of total contributions	12,000	-
Contributions subsequent to the measurement date	1,377,000	-
	$ 2,078,000	$ 306,000

$1,377,000 is reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30:	Amount
2024	$ 210,000
2025	139,000
2026	(239,000)
2027	285,000
Thereafter	-
	$ 395,000

Note 6. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

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

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

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

Investments

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

For the year ended June 30, 2022, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 6. Defined-Benefit Pension Plan (Continued)

Investments (Continued)

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

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, 2023.

Discount Rate

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

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	$ 15,469,000	$ 11,959,000	$ 9,001,000

Note 6. Defined-Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Note 7. Other Post-Employment Benefits - Single Employer School Plan

Plan Description - The Sugar Valley Rural Charter School Post-Employment Benefits Plan (the SVRCS Plan) is a single-employer defined benefit plan administered by the School. The School adopted the SVRCS plan in February of 2016. The School has elected to pay benefits directly from School assets, rather than create a trust from which to provide benefits. As the SVRCS Plan has no trust, no stand-alone financial statements are issued.

Benefits Provided - The SVRCS Plan was established in accordance with Act 110 of October 20, 1988, and Act 43 of July 8, 1989, by which the Pennsylvania Public Education Code was amended, obligating the School to make the school group health insurance coverage available to its retirees who have met certain criteria. For subsidized members, the School will pay 100% of the single premium for medical, prescription drug, and vision coverage for the retired employee and provide assistance with health copays as available to employees. Retirees can elect dental coverage by paying the full premium. Spouses and dependents are not eligible to receive subsidized coverage.

Funding Policy - The School pays premiums for subsidized members as they become due.

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

At June 30, 2023, the School reported a liability of $701,250, for the total OPEB liability. The total OPEB liability was measured as of July 1, 2021, and was determined by an actuarial valuation as of July 1, 2021. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability at July 1, 2022	$ 944,567
Service cost	97,523
Interest	23,661
Changes of benefit terms	-
Differences between Expected and Actual Experience	-
Changes in Assumptions	(356,511)
Benefit payments	(7,990)
Net changes	(243,317)
Total OPEB Liability at July 1, 2023	$ 701,250

Note 7. Other Post-Employment Benefits - Single-Employer School Plan (Continued)

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

For the year ended June 30, 2023, the School recognized OPEB expense of $103,348. At June 30, 2023, the School reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,183	$ 110,855
Changes of assumptions	167,180	396,549
Benefit payments subsequent to the measurement date	6,982	-
	$ 195,345	$ 507,404

Of the total amount reported as deferred outflows of resources related to OPEB, $6,982 resulting from School benefit payments after the measurement date, and before the end of the fiscal year, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the School's OPEB expense as follows:

Year	Total
2024	$ (17,836)
2025	(17,836)
2026	(17,836)
2027	(17,836)
2028	(17,836)
Thereafter	(229,861)
	$ (319,041)

Note 7. Other Post-Employment Benefits - Single-Employer School Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

- Inflation - 2.50%
- Salary Increases - 2.50%. cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
- Discount Rate – 4.06%, Based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022
- Actuarial Cost Method - Entry Age Normal, Level Percent of Pay
- Healthcare Cost Trend Rate – 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based in the Society of Actuaries Long-Run Medical Cost Trend Model
- Retirees' Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate
- Mortality rates are derived from the PubG-2010 headcount-weighted mortality table, including rates for contingent survivors for all employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period ended July 1, 2021.

Sensitivity of the School's Total OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate

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

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB liability	$ 779,782	$ 701,250	$ 629,438

Note 7. Other Post-Employment Benefits - Single-Employer School Plan (Continued)

Sensitivity of the School's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the School's total OPEB liability calculated using the healthcare cost trend rate of (6.5% in 2022, decreasing to 3.9% in 2075), as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 595,646	$ 701,250	$ 828,970

Note 8. Other Post-Employment Benefits - PSERS Cost-Sharing Plan

Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance which is a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Retirees of the System can participate in Premium Assistance 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

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

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

Note 8. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Benefits Provided

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

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The School's contributions to the OPEB Plan were $29,924, for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of $497,000, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021, to June 30, 2022. The School's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School's reported proportion was .0270 percent, which was an increase of .0007 percent from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the School recognized OPEB expense of $33,890. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,000	$ 3,000
Changes in assumptions	55,000	117,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportion	50,000	-
Difference between employer contributions and proportionate share of total contributions	-	100
Contributions subsequent to the measurement date	30,000	-
	$ 141,000	$ 120,100

Note 8. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

$30,000 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year		Amount
2024	$	7,000
2025		6,000
2026		(1,000)
2027		(8,000)
2028		(13,100)
Thereafter		-
	$	(9,100)

Actuarial Assumptions

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate Pre age 65 at 50%
    - Eligible retirees will elect to participate Post age 65 at 70%
- The discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09%, as of June 30, 2022.

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.

Note 8. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2023.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments

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

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

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class of June 30, 2023.

Discount Rate

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

Note 8. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Sensitivity of the School's proportionate share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	$ 562,000	$ 497,000	$ 443,000

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 497,000	$ 497,000	$ 497,000

OPEB Plan Fiduciary Net Position

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

Note 9. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors; or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years. During the year ended June 30, 2023, the School did not incur any significant losses that were not covered by insurance.

Note 10. Commitments and Contingencies

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

REQUIRED SUPPLEMENTARY INFORMATION

SUGAR VALLEY RURAL CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT'S SINGLE EMPLOYER PLAN
For the Fiscal Year Ended June 30,

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 97,523	$ 103,008	$ 74,716	$ 71,021	$ 66,825	$ 64,626
Interest	23,661	19,806	26,778	20,955	19,394	12,722
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(99,236)	-	26,831	-	(32,247)
Changes in assumptions	(356,511)	(40,858)	138,105	(28,712)	(838)	74,366
Benefit payments	(7,990)	-	-	-	(13,120)	(12,826)
Net change in total OPEB liability	(243,317)	(17,280)	239,599	90,095	72,261	106,641
Total OPEB Liability - beginning	944,567	961,847	722,248	632,153	559,892	453,251
Total OPEB Liability - ending	$ 701,250	$ 944,567	$ 961,847	$ 722,248	$ 632,153	$ 559,892
Covered payroll	$ 3,612,184	$ 3,612,184	$ 3,510,579	$ 3,510,579	$ 3,061,024	$ 3,061,024
Net OPEB liability as a percentage of covered payroll	19.41%	26.15%	27.40%	20.57%	20.65%	18.29%

Notes to Schedule:

For the fiscal year ended June 30, 2023:

Changes in assumptions: The discount rate changed from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

SUGAR VALLEY RURAL CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.0270%	$ 497,000	$ 3,962,925	12.54%	6.86%
2022	0.0263%	$ 624,000	$ 3,732,646	16.72%	5.30%
2021	0.0263%	$ 568,000	$ 3,701,548	15.34%	5.69%
2020	0.0255%	$ 542,000	$ 3,514,458	15.42%	5.56%
2019	0.0241%	$ 502,000	$ 3,242,009	15.48%	5.56%
2018	0.0225%	$ 458,000	$ 2,996,369	15.29%	5.73%
2017	0.0270%	$ 446,000	$ 2,675,420	16.67%	5.47%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUGAR VALLEY RURAL CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 29,924	$ (29,924)	$ -	$ 3,962,925	0.76%
2022	$ 31,880	$ (31,880)	$ -	$ 3,985,018	0.80%
2021	$ 30,608	$ (30,608)	$ -	$ 3,732,646	0.82%
2020	$ 31,093	$ (31,093)	$ -	$ 3,701,548	0.84%
2019	$ 29,170	$ (29,170)	$ -	$ 3,514,458	0.83%
2018	$ 26,909	$ (26,909)	$ -	$ 3,242,009	0.83%
2017	$ 24,870	$ (24,870)	$ -	$ 2,996,369	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUGAR VALLEY RURAL CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0269%	$ 11,959,000	$ 3,962,925	301.77%	61.34%
2022	0.0263%	$ 10,798,000	$ 3,732,646	289.29%	63.67%
2021	0.0261%	$ 12,851,000	$ 3,701,548	347.18%	54.32%
2020	0.0255%	$ 11,930,000	$ 3,514,458	339.45%	55.66%
2019	0.0241%	$ 11,569,000	$ 3,242,009	356.85%	54.00%
2018	0.0225%	$ 11,112,000	$ 2,996,369	370.85%	51.84%
2017	0.0270%	$ 10,258,000	$ 2,675,420	383.42%	50.14%
2016	0.0188%	$ 8,143,000	$ 2,422,716	336.11%	54.36%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUGAR VALLEY RURAL CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 1,376,915	$ (1,376,915)	$ -	$ 3,962,925	34.74%
2022	$ 1,360,331	$ (1,360,331)	$ -	$ 3,985,018	34.14%
2021	$ 1,257,528	$ (1,257,528)	$ -	$ 3,732,646	33.69%
2020	$ 1,238,168	$ (1,238,168)	$ -	$ 3,701,548	33.45%
2019	$ 1,145,713	$ (1,145,713)	$ -	$ 3,514,458	32.60%
2018	$ 1,029,014	$ (1,029,014)	$ -	$ 3,242,009	31.74%
2017	$ 874,940	$ (874,940)	$ -	$ 2,996,369	29.20%
2016	$ 668,855	$ (668,855)	$ -	$ 2,675,420	25.00%
2015	$ 496,657	$ (496,657)	$ -	$ 2,422,716	20.50%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

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

Board of School Directors
Sugar Valley Rural Charter School
Loganton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sugar Valley Rural Charter School (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Boyer & Ritter

State College, Pennsylvania
January 24, 2024

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

Board of School Directors
Sugar Valley Rural Charter School
Loganton, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sugar Valley Rural Charter School's (School) 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 School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 School'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 School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School'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 School'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 School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Boyer & Ritter

State College, Pennsylvania
January 24, 2024

SUGAR VALLEY RURAL CHARTER SCHOOL
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified: ____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weaknesses? ____ Yes __X__ None Reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over the major programs:

- Material weakness identified? ____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weaknesses? ____ Yes __X__ None Reported

Type of auditor’s report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a). ____ Yes __X__ No

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? _____ Yes __X__ No

SUGAR VALLEY RURAL CHARTER SCHOOL
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II -- Financial Statement Findings

A. Significant Deficiencies in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/22	Revenue Recognized	Expenditures	Passed through to Subrecipients	Accrued (Deferred) Revenue at 6/30/23
U.S. Department of Education											
Small Rural Schools Acheivement (SRSA)	D	84.358A	N/A	20-21	$ 31,114	$ 31,114	$ 31,114	$ -	$ -	$ -	$ -
Small Rural Schools Acheivement (SRSA)	D	84.358A	N/A	22-23	$ 38,868	11,418	-	38,868	38,868	-	27,450
						42,532	31,114	38,868	38,868	-	27,450
Passed through the Pennsylvania											
Department of Education											
Title I Cluster											
Title I - Grants to Local Educational Agencie	I	84.010	013-22-0881	21-22	$ 138,887	43,870	43,870	-	-	-	-
Title I - Grants to Local Educational Agencie	I	84.010	013-23-0881	22-23	$ 137,002	107,647	-	136,860	136,860	-	29,213
						151,517	43,870	136,860	136,860	-	29,213
Title II - Improving Teacher Quality State Grants	I	84.367	020-22-0881	21-22	$ 18,652	(366)	(366)	-	-	-	-
Title II - Improving Teacher Quality State Grants	I	84.367	020-23-0881	22-23	$ 17,750	13,851	-	17,750	17,750	-	3,899
						13,485	(366)	17,750	17,750	-	3,899
Title IV - Student Support and Academic Enrichment Grant	I	84.424	144-23-0881	22-23	$ 10,898	8,157	-	10,898	10,898	-	2,741
						8,157	-	10,898	10,898	-	2,741
COVID-19 Elementary & Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-21-0881	20-23	$ 464,943	389,255	(22,300)	417,617	417,617	-	6,062
COVID-19 American Rescue Plan Elementary & Secondary School Emergency Relief Fund III	I	84.425U	223-21-0206	20-24	$ 940,445	393,277	275,287	89,154	89,154	-	(28,836)
COVID-19 American Rescue Plan Elementary & Secondary School Emergency Relief Fund											
7% Set Aside -Learning Loss	I	84.425U	225-21-0206	20-24	$ 52,210	33,224	(141)	34,945	34,945	-	1,580
7% Set Aside -After School Program	I	84.425U	225-21-0206	20-24	$ 10,442	6,645	(1,329)	5,682	5,682	-	(2,292)
7% Set Aside - Summer Program	I	84.425U	225-21-0206	20-24	$ 10,442	6,645	(1,329)	10,442	10,442	-	2,468
COVID-19 American Rescue Plan Elementary School Emergency Relief Fund (Homeless Children & Youth)	I	84.425W	181-21-2421	21-24	$ 5,855	5,555	(300)	5,855	5,855	-	-
Governor's Emergency Education Relief (ARP ESSER 2.5% Set-Aside)	I	84.425C	224-21-0881	20-24	$ 43,579	15,055	(1,585)	13,855	13,855	-	(2,785)

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2023

	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/22	Revenue Recognized	Expenditures	Passed through to Subrecipients	Accrued (Deferred) Revenue at 6/30/23
U.S. Department of Education (continued)											
Special Education Cluster											
Passed Through Capital Area Intermediate Grant											
Special Education - Grants to States	I	84.027A	062-22-0000	21-22	$ 163,572	163,572	133,576	29,996	29,996	-	-
Special Education - Grants to States	I	84.027A	062-22-0010	22-23	$ 147,338	147,213	-	147,213	147,213	-	-
COVID-19 Special Education - Grants to States	I	84.027D	062-22-0000	21-22	$ 34,390	34,390	27,512	6,878	6,878		
Special Education - Preschool Grants	I	84.173	N/A	21-22	$ 2,016	2,016	2,016	-	-	-	-
Special Education - Preschool Grants	I	84.173	N/A	22-23	$ 818	818	-	818	818	-	-
						348,009	163,104	184,905	184,905	-	-
Total U.S. Department of Education						1,413,356	486,025	966,831	966,831	-	39,500
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	21-22	N/A	1,551	1,551	-	-	-	-
National School Lunch Program	I	10.555	N/A	22-23	N/A	220,019	-	220,019	220,019	-	-
National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	21-23	N/A	21,493	(13,891)	13,891	13,891	-	(21,493)
School Breakfast Program	I	10.553	N/A	21-22	N/A	430	430	-	-	-	-
School Breakfast Program	I	10.553	N/A	22-23	N/A	76,380	-	76,380	76,380	-	-
Summer Food	I	10.559	N/A	22-23		4,684	-	4,684	4,684	-	-
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	I	10.649	N/A	22-23	N/A	628	-	628	628	-	-
Total passed through the Pennsylvania Department of Education						325,185	(11,910)	315,602	315,602	-	(21,493)
Passed through the Pennsylvania Department of Agriculture											
Food Donation (a)	I	10.555	2-02-41-530	21-22	N/A	-	(3,255)	3,255	3,255	-	-
Food Donation (a)	I	10.555	2-02-41-530	22-23	N/A	39,024	-	32,908	32,908	-	(6,116)
Total passed through the Pennsylvania Department of Agriculture						39,024	(3,255)	36,163	36,163	-	(6,116)
Total U.S. Department of Agriculture						364,209	(15,165)	351,765	351,765	-	(27,609)

(Continued)

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year ended June 30, 2023

	Source Code	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/22	Revenue Recognized	Expenditures	Passed through to Subrecipients	Accrued (Deferred) Revenue at 6/30/23
U.S. Department of Health and Human Services											
Passed through the Pennsylvania Department of Human Services											
Medicaid Cluster											
Medical Assistance Program	I	93.778	N/A	22-23	N/A	6,292	3,052	4,626	4,626	-	1,385
Total Medicaid Cluster						6,292	3,052	4,626	4,626	-	1,385
Total U.S Department of Health and Human Services						6,292	3,052	4,626	4,626	-	1,385
Social Security Administration											
Passed through the Pennsylvania Department of Human Services											
Social Security Disability Insurance	I	96.001	N/A	22-23	N/A	297	-	297	297	-	1,385
Total Social Security Administration						297	-	297	297	-	1,385
Total Expenditures of Federal Awards						$ 1,784,154	$ 473,912	$ 1,323,519	$ 1,323,519	$ -	$ 14,661
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555)						$ 319,873	$ (11,910)	$ 310,290	$ 310,290	$ -	$ (21,493)
Special Education Cluster (Assistance Listing Numbers - 84.027, 84.173)						$ 348,009	$ 163,104	$ 184,905	$ 184,905	$ -	$ -
Education Stabilization Fund (Assistance Listing Numbers 84.425)						$ 849,656	$ 248,303	$ 577,550	$ 577,550	$ -	$ (23,803)

I - Indirect Funding
D - Direct Funding

See Notes to Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of Sugar Valley Rural Charter School under programs of the Federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Sugar Valley Rural Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sugar Valley Rural Charter School.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule 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.

Note 3. Indirect Cost Rate

Sugar Valley Rural Charter School has not elected to use the 10-percent, de minimis, indirect-cost rate as allowed under the *Uniform Guidance*.

Note 4. Subrecipients

With respect to Federal expenditures presented in the Schedule, Sugar Valley Rural Charter School did not provide any Federal awards to subrecipients.

Finding 2022-001 - Allowable Costs

Department of Education, passed through the PA Department of Education

American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)
Assistance Listing Number: 84.425U

Condition - In the fall of 2021, the school prepaid software subscriptions of 8 and 10 years and charged them to this grant. These purchases would not be considered allowable costs as the number of years purchased far exceeded the grants period of performance which will end September 30, 2024. The cost for years purchased beyond the period of performance was $130,322.

Prior Audit Firm Recommendation: The school needs to strengthen internal controls by introducing procedures such as consideration of new grant requirements, the degree of school experience with the requirements and training of all staff involved.

Current Status: Corrective action has been taken, an adjustment was made in the prior audit to adjust rectify the costs noted above, in addition all staff involved in managing grants and federal programs received additional training on allowable costs. This finding is considered corrected and cleared as of June 30, 2023.

Elementary and Secondary School Emergency Relief (ESSER II)
Assistance Listing Number: 84.425D

Condition - The School planned a major improvement to their HVAC system and requested bids from contractors. The bid document, and contract, mistakenly referenced Pennsylvania state prevailing wage rates, rather than federal prevailing wage rates. The contract of $405,000 was signed in the spring of 2022. The amount representing wages, and the difference between wages under state and federal prevailing rates has not yet been determined.

Prior Audit Firm Recommendation: The school needs to strengthen internal controls by introducing procedures such as consideration of new grant requirements, the degree of school experience with the requirements and training of all staff involved.

Current Status: Corrective action has been taken with the contractor for federal prevailing wages instead of Pennsylvania state prevailing wage. The cost difference was immaterial and was paid for with local funds. This finding is considered corrected and cleared as of June 30, 2023.