

Portage Area School District

"Home of the Mustangs"



PORTAGE, PENNSYLVANIA

Single Audit Reporting Package
For The Fiscal Year Ended June 30, 2022

**PORTAGE AREA SCHOOL DISTRICT
SINGLE AUDIT REPORTING PACKAGE
JUNE 30, 2022**

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Portage Area School District

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) JUNE 30, 2022

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

The discussion and analysis of the Portage Area School District's (PASD) financial performance provides an overall review of PASD's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at PASD'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 PASD's financial performance.

FINANCIAL HIGHLIGHTS

The Portage Area School District is a rural, public school district in Cambria County, Pennsylvania. The District encompasses approximately 28 square miles. It serves Portage and Cassandra Boroughs, as well as Portage Township.

Real estate taxes in the taxing districts for public school purposes for fiscal year 2022 were 52 mills.

The District's total government-wide liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2022 by \$2,694,252 (net position - deficit). This was an increase of \$3,055,094 from June 30, 2021. This increase was mainly the result of the District's implementation of GASB 68 '*Accounting and Financial Reporting for Pensions*' and GASB 75 '*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*'. The District is required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation. For the Portage Area School District, this liability stands at \$15,930,000 as of June 30, 2022. The District also implemented GASB 75 '*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*' as of June 30, 2018. The District is required to recognize their overall OPEB obligation. For the Portage Area School District, this liability stands at \$1,369,890 as of June 30, 2022.

The district's overall net position increased by \$3,055,094 during the 2021-2022 fiscal year after taking into consideration the effects of implementing GASB Statement No. 68 and GASB Statement 75. An increase of \$2,760,320 in Governmental Activities, and an increase of \$294,774 in Business-Type Activities.

The District routinely applies for federal, state and local grants. Federally funded expenditures comprised 9.03% and specific state funded expenditures comprised 1.3% of total expenditures. Federally funded expenditures included Title I (\$270,177), Title II (\$31,526), IDEA (\$232,461), ESSER II (\$279,394), ESSER III (\$267,240), and ARP-ESSER (\$59,406). Specific state funded expenditures include Ready-To-Learn (RTL) (\$186,456).

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of two distinct series of financial statements: District-wide and fund. The first two statements (District-wide) are government-wide financial statements. They are the Statement of Net position and the Statement of Activities. These provide both long-term and short-term information about the district's overall financial status.

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

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

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
Portage Area School District's
Report Financial*

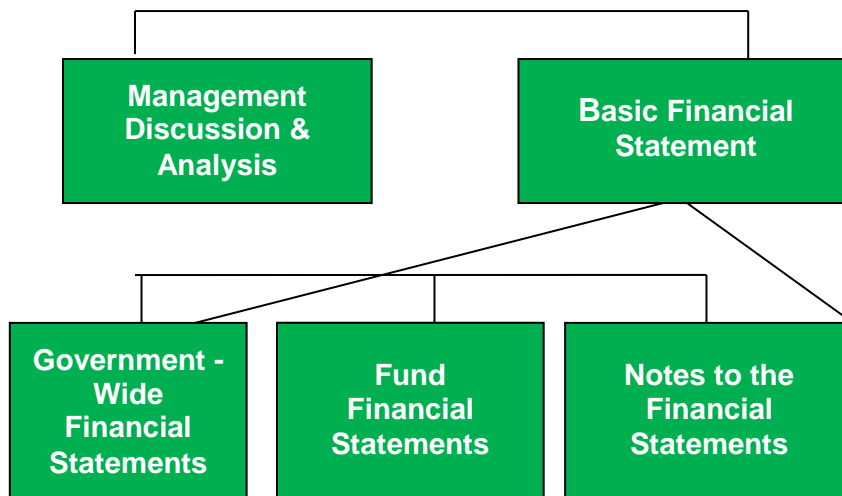


Figure A-2 summarizes the major features of PASD’s financial statements, including the portion of the district they cover and the types of information they contain. The remainder of this overview section of the Management Discussion and Analysis explains the structure and contents of each of the statements.

*Figure A-2:
Major Features of Portage Area School District’s
Government-Wide and Fund Financial Statements*

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about PASD as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report PASD's net position and how they have changed. Net position, the difference between PASD's assets and liabilities, are one way to measure PASD's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

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

Fiduciary funds – PASD is the trustee, or fiduciary, for some agency funds. All of the district’s fiduciary activities are reported in separate Statements for Fiduciary Net position. We exclude these activities from the district’s other financial statements because the district cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

PASD’s total net position was (\$2,694,252) and (\$5,748,573) at June 30, 2022 and 2021.

*Table A-1:
Fiscal Year Ended June 30, 2022 and 2021
GOVERNMENT WIDE STATEMENT OF NET POSITION*

	2022			2021		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 8,338,825	\$ 542,736	\$ 8,881,561	\$ 8,309,318	\$ 227,574	\$ 8,536,892
Non-current assets	12,608,868	66,819	12,675,687	13,364,024	84,054	13,448,078
Total Deferred Outflows	<u>9,550,026</u>	<u>365,912</u>	<u>9,915,938</u>	<u>7,145,136</u>	<u>285,086</u>	<u>7,430,222</u>
Total Assets & Outflows	<u>\$ 30,497,719</u>	<u>\$ 975,467</u>	<u>\$ 31,473,186</u>	<u>\$ 28,818,478</u>	<u>\$ 596,714</u>	<u>\$ 29,415,192</u>
Current and other liabilities	\$ 1,679,602	\$ 158,857	\$ 1,838,459	\$ 2,111,325	\$ 74,345	\$ 2,185,670
Non-current liabilities	22,712,136	720,724	23,432,860	27,205,718	850,808	28,056,526
Total Deferred Inflows	<u>8,555,624</u>	<u>340,495</u>	<u>8,896,119</u>	<u>4,710,625</u>	<u>210,944</u>	<u>4,921,569</u>
Total Liabilities & Inflows	32,947,362	1,220,076	34,167,438	34,027,668	1,136,097	35,163,765
Net position:						
Invested in capital assets, net of related debt	6,345,659	66,819	6,412,478	6,553,374	84,054	6,637,428
Unrestricted	<u>(8,795,302)</u>	<u>(311,428)</u>	<u>(9,106,730)</u>	<u>(11,762,564)</u>	<u>(623,437)</u>	<u>(12,386,001)</u>
Total Net position	(2,449,643)	(244,609)	(2,694,252)	(5,209,190)	(539,383)	(5,748,573)
Total Liabilities Inflows & Net position	<u>\$ 30,497,719</u>	<u>\$ 975,467</u>	<u>\$ 31,473,186</u>	<u>\$ 28,818,478</u>	<u>\$ 596,714</u>	<u>\$ 29,415,192</u>

Most of the district’s net positions are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is undesignated amounts. As you will note, the table gives an accounting of the net position for the fiscal year ended June 30, 2022 and 2021.

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

Table A-2 takes the information from that statement, rearranges it slightly, to enable readers to see the total revenues for the year.

Table A-2:
Fiscal Year Ended June 30, 2022 and 2021
GOVERNMENT WIDE STATEMENT OF ACTIVITIES

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues:						
Charges for Services	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Operating Grants & Contributions	11,662,356	1,038,719	12,701,075	11,243,685	770,296	12,013,981
Capital Grants & Contributions	---	---	---	---	---	---
General Revenues:						
Property Taxes	2,722,672	---	2,722,672	2,671,454	---	2,671,454
Investment Earnings	41,416	1,261	42,677	60,783	948	61,731
Interfund Transfers (Out)/In	---	---	---	---	---	---
Total Revenues	14,426,444	1,039,980	15,466,424	13,975,922	771,244	14,747,166
Expenses						
Instruction	6,223,120	---	6,223,120	6,798,557	---	6,798,557
Student Support	4,021,672	---	4,021,672	4,941,843	---	4,941,843
Student Activities	488,083	---	488,083	515,740	---	515,740
Community Services	654	---	654	---	---	---
Capital Outlay	2,239	---	2,239	21,637	---	21,637
Unallocated Interest Expense	177,793	---	177,793	202,085	---	202,085
Unallocated Depreciation Expense	752,563	---	752,563	737,453	---	737,453
Food Services	---	785,061	785,061	---	662,160	662,160
Total Expenses	11,666,124	785,061	12,451,185	13,217,315	662,160	13,879,475
Increase/(Decrease) in Net position	2,760,320	294,774	3,055,094	758,607	125,110	883,717
Net position – Beginning of Year	(5,209,190)	(539,383)	(5,748,573)	(5,956,847)	(664,493)	(6,621,340)
Increase/(Decrease) in Inventory Reserve	(773)	---	(773)	(10,950)	---	(10,950)
Net position – End of Year	\$ (2,449,643)	\$ (244,609)	\$ (2,694,252)	\$ (5,209,190)	\$ (539,383)	\$ (5,748,573)

The tables below present the expenses of both the governmental activities and the business-type activities of PASD.

Table A-3 shows the PASD's major functions including instruction, administrative, operation & maintenance of plant and pupil transportation, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions, to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

*Table A-3:
Fiscal Year Ended June 30, 2022 and 2021
Governmental Activities*

Functions/Programs	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,223,120	\$ 5,439,236	\$ 6,798,557	\$ 4,445,128
Support Services	4,021,672	(4,021,672)	4,941,843	(4,941,843)
Student Activities	488,083	(488,083)	515,740	(515,740)
Community Services	654	(654)	---	---
Capital Outlay	2,239	(2,239)	21,637	(21,637)
Unallocated Interest Expense	177,793	(177,793)	202,085	(202,085)
Unallocated Depreciation Expense	752,563	(752,563)	737,453	(737,453)
Total Governmental Activities	<u>\$ 11,666,124</u>	(3,768)	<u>\$ 13,217,315</u>	(1,973,630)
Interfund Transfers Out		---		---
Total Needs from Local Taxes and Other Revenues		<u>\$ (3,768)</u>		<u>\$ (1,973,630)</u>

Table A-4 reflects the activities of the Food Service Program, the only business-type activity of the district.

*Table A-4:
Fiscal Year Ended June 30, 2022 and 2021
Business-type Activities*

Functions/Programs	2022		2021	
	Total Cost of Services	Net Services	Total Cost of Services	Net Services
Food Services	\$ 785,061	\$ 293,513	\$ 662,160	\$ 124,162
Investment Earnings	---	1,261	---	948
Interfund Transfers In	---	---	---	---
Total Business-Type Activities	<u>\$ 785,061</u>	<u>\$ 294,774</u>	<u>\$ 662,160</u>	<u>\$ 125,110</u>

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

THE DISTRICT FUNDS

At June 30, 2022 and 2021, the district Governmental Fund Types reported fund balances of \$7,009,818 and \$6,435,189, respectively. This is an increase of \$574,629 from the previous year.

General Fund Budget

During the fiscal year, the Board of School Directors authorizes revisions to the original budget in the form of budget transfers. This accommodates the differences from the original budget to the actual expenditures of the district. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year and allowable by state law. A schedule showing the district's original and final budget amounts, compared with the amounts actually paid and received, is provided in the annual financial report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022 and 2021, PASD had \$12,675,687 and \$13,448,078, respectively, invested in land, buildings and equipment. Of the total, \$12,608,868 and \$13,364,024, respectively, made up governmental activities.

*Table A-5:
Capital Assets at June 30, 2022 and 2021
(Net of Depreciation)*

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and Improvements	\$ 142,976	\$ 142,976	\$ ---	\$ ---	\$ 142,976	\$ 142,976
Construction in Progress	---	---	---	---	---	---
Building and Improvements	12,047,889	12,677,327	---	---	12,047,889	12,677,327
Furniture and Equipment	418,003	543,721	66,819	84,054	484,822	627,775
Totals	<u>\$ 12,608,868</u>	<u>\$13,364,024</u>	<u>\$ 66,819</u>	<u>\$ 84,054</u>	<u>\$12,675,687</u>	<u>\$13,448,078</u>

DEBT ADMINISTRATION

Table A-6 summarizes the bonds outstanding.

*Table A-6:
Outstanding Bonds at Year End*

	Governmental Activities	
	2022	2021
2019 A General Obligation Bonds	\$ 4,570,000	\$ 5,050,000
2019 B General Obligation Bonds	1,430,000	1,440,000
	\$ 6,000,000	\$ 6,490,000

Other obligations include accrued vacation and sick leave liabilities (compensated absences) and equipment lease obligations (copiers).

FACTORS BEARING ON PORTAGE AREA SCHOOL DISTRICT'S FUTURE

Current student enrollment is about 816. Overall staffing and the number of teaching positions are re-evaluated each year to correspond with enrollment and educational needs. Policy and curriculum changes are on a continuous cycle to meet local, state and federal standards.

As a participating member, the District contributed 9.09% of fiscal year 2022 total operating costs of the Admiral Peary Area Vocational-Technical School; this percentage increases or decreases from year to year depending on its total enrollment. Future building projects or capital improvements undertaken by the Admiral Peary AVTS will also impact the District's financial position.

Other factors that will affect future finances of the District:

- Rapidly rising PSERS employer retirement rates (34.94%, 35.26% and 35.69% projected for fiscal years 2022, 2023, and 2024 respectively).
- Collective bargaining agreements with the Portage Area Education Association (PAEA) and Portage Chapter Service Employees International Union Local 32BJ, and Teamsters, Chauffeurs, Warehousemen & Helpers, International Brotherhood of Teamsters are expiring in 2024, 2027, and 2027 respectively,
- Student enrollment.
- Special Education and Cyber School Costs
- Fair Funding Formula Lawsuit

The state of the national economy and its rate of recovery may negatively affect the District's federal and state funding, as well as local tax collections.

Government Accounting Standards Board Statement No. 68 (GASB No. 68) on Accounting and Financial Reporting for Pensions revises and establishes new financial reporting requirements for most governments that provide employees with pension benefits and is effective for financial statements for fiscal years beginning after June 15, 2014. Employers are required to recognize a liability as employees earn their pension benefits. The District is required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation. For the Portage Area School District, this liability stands at \$15,930,000 as of June 30, 2022.

In June 2015, the GASB approved a pair of related Statements that reflect substantial improvements in the accounting and financial reporting for postemployment benefit plans others than pensions (OPEB). Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, addresses reporting by OPEB plans that administer benefits on behalf of governments. Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The District is required to recognize their OPEB liability. For the Portage Area School District, this liability stands at \$1,369,890 as of June 30, 2022.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the PASD's finances and to show the Board's accountability for the money it receives. If you have questions regarding this report or wish to request additional financial information, please contact Jeff Vasilko, Business Administrator at Portage Area School District, Administrative Offices, 84 Mountain Avenue, Portage, PA 15946, (814)736-9636, ext. 1512.

INDEPENDENT AUDITOR'S REPORT

Directors of the Board of Education
Portage Area School District
Portage, Pennsylvania

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Portage Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Portage Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Portage Area School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Portage Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principal

As described in Note 1 to the financial statements, Portage Area School District adopted new accounting guidance, GASB Statement No. 87, "Leases". Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Portage Area School District's 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 Portage Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Portage Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Portage Area School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability, schedule of district contributions, schedule of changes in OPEB liability, schedule of district contributions – OPEB Plan, schedule of the district's proportionate share of the net OPEB liability – PSERS OPEB Plan, schedule of district contributions - PSERS OPEB Plan and budgetary comparison information on pages I through X and 45 through 52 be presented to supplement the basic financial statements. Such information, 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 Portage Area School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 November 30, 2022, on our consideration of Portage Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 Portage Area School District's internal control over financial reporting and compliance.

WESSEL & COMPANY
Certified Public Accountants

November 30, 2022

PORTAGE AREA SCHOOL DISTRICT
GOVERNMENT WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Current Assets:			
Cash and cash equivalents	\$ 6,497,054	\$ 508,389	\$ 7,005,443
Receivables:			
Taxes receivable, net of allowance	243,073	-	243,073
Due from state agencies	406,362	-	406,362
Due from federal agencies	489,712	-	489,712
Other receivable	15,007	-	15,007
Due from other funds	264,847	426	265,273
Inventory	321,101	33,921	355,022
Prepaid expenses	101,669	-	101,669
Total Current Assets	8,338,825	542,736	8,881,561
Non-current Assets:			
Capital assets, net of depreciation	12,608,868	66,819	12,675,687
Total Non-current Assets	12,608,868	66,819	12,675,687
Deferred Outflows:			
Defined benefit pension plan	7,941,028	303,972	8,245,000
Post retirement benefits obligation	1,608,998	61,940	1,670,938
Total Deferred Outflows	9,550,026	365,912	9,915,938
Total Assets & Deferred Outflows	\$ 30,497,719	\$ 975,467	\$ 31,473,186
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
Current Liabilities:			
Accounts payable	\$ 246,311	\$ 157,857	\$ 404,168
Accrued salaries and benefits	825,164	-	825,164
Accrued compensated absences	35,223	1,000	36,223
Bonds payable	515,000	-	515,000
Accrued interest	57,904	-	57,904
Total Current Liabilities	1,679,602	158,857	1,838,459
Non-current Liabilities:			
Bonds payable	5,485,000	-	5,485,000
Bond issue premium/(discount)	205,305	-	205,305
Post retirement benefits obligation	1,298,469	71,421	1,369,890
Long-term portion of compensated absences	439,240	3,425	442,665
PSERS net pension liability	15,284,122	645,878	15,930,000
Total Non-current liabilities	22,712,136	720,724	23,432,860
Deferred Inflows:			
Unearned revenue	-	16,592	16,592
Defined benefit pension plan	6,757,566	254,595	7,012,161
Post retirement benefits obligation	1,798,058	69,308	1,867,366
Total Deferred Inflows	8,555,624	340,495	8,896,119
Net Position:			
Net Investment in capital assets	6,345,659	66,819	6,412,478
Net Position - unrestricted	(8,795,302)	(311,428)	(9,106,730)
Total Net Position	(2,449,643)	(244,609)	(2,694,252)
Total Liabilities, Deferred Inflows and Net Position	\$ 30,497,719	\$ 975,467	\$ 31,473,186

PORTAGE AREA SCHOOL DISTRICT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 6,223,120	\$ -	\$ 11,662,356	\$ -	\$ 5,439,236	\$ -	\$ 5,439,236
Support services	4,021,672	-	-	-	(4,021,672)	-	(4,021,672)
Student activities	488,083	-	-	-	(488,083)	-	(488,083)
Community services	654	-	-	-	(654)	-	(654)
Capital Outlay - Facilities acquisition construction and improvement services	2,239	-	-	-	(2,239)	-	(2,239)
Unallocated interest expense	177,793	-	-	-	(177,793)	-	(177,793)
Unallocated depreciation and amortization	752,563	-	-	-	(752,563)	-	(752,563)
Total Governmental Activities	11,666,124	-	11,662,356	-	(3,768)	-	(3,768)
Business-type Activities:							
Food Service	785,061	39,855	1,038,719	-	-	293,513	293,513
Total Business-type Activities	785,061	39,855	1,038,719	-	-	293,513	293,513
Total Primary Government	\$ 12,451,185	\$ 39,855	\$ 12,701,075	\$ -	\$ (3,768)	\$ 293,513	\$ 289,745
General Revenues:							
Taxes, Levied for General Purposes, net					\$ 2,722,672	\$ -	\$ 2,722,672
Unrestricted Investment Earnings					41,416	1,261	42,677
Interfund Transfers					-	-	-
Total General Revenues and Transfers					2,764,088	1,261	2,765,349
Change in Net Position					2,760,320	294,774	3,055,094
Net Position - Beginning of Year					(5,209,190)	(539,383)	(5,748,573)
Decrease in nonspendable inventory					(773)	-	(773)
Net Position - End of Year					\$ (2,449,643)	\$ (244,609)	\$ (2,694,252)

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

PORTAGE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	Governmental Fund Types			Total Governmental Fund Types
	General	Capital Projects	Capital Reserve	
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Cash and cash equivalents	\$ 5,638,717	\$ 818,322	\$ 40,015	\$ 6,497,054
Receivables:				
Taxes receivable	20,764	-	-	20,764
Due from state agencies	406,362	-	-	406,362
Due from federal agencies	489,712	-	-	489,712
Due from other funds	275,540	-	-	275,540
Other receivables	15,007	-	-	15,007
Inventory	321,101	-	-	321,101
Total Assets	7,167,203	818,322	40,015	8,025,540
Deferred Outflows				
Prepaid expenses	101,669	-	-	101,669
Total Assets and Deferred Outflows	\$ 7,268,872	\$ 818,322	\$ 40,015	\$ 8,127,209
<u>LIABILITIES AND DEFERRED INFLOWS</u>				
Liabilities				
Accounts payable	\$ 246,311	\$ -	\$ -	\$ 246,311
Accrued salaries and benefits	825,164	-	-	825,164
Deferred revenue	-	-	-	-
Due to other funds	10,693	-	-	10,693
Accrued compensated absences	35,223	-	-	35,223
Total Liabilities	1,117,391	-	-	1,117,391
<u>FUND BALANCE</u>				
Fund Balance:				
Nonspendable	321,101	-	-	321,101
Committed	3,448,851	-	-	3,448,851
Assigned	-	818,322	40,015	858,337
Unassigned	2,381,529	-	-	2,381,529
Total Fund Balances	6,151,481	818,322	40,015	7,009,818
Total Liabilities, Deferred Inflows and Fund Balance	\$ 7,268,872	\$ 818,322	\$ 40,015	\$ 8,127,209

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total Governmental Fund Balance (Page 6)		\$ 7,009,818
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Land	142,976	
Building and Site improvements	27,723,793	
Furniture and Equipment	3,641,250	
Accumulated Depreciation	<u>(18,899,151)</u>	
Total Capital Assets		12,608,868
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Delinquent Taxes		222,309
<p>Deferred inflows and outflows related to participation in the PSERS cost sharing pension plan are not reported in the funds.</p>		
		1,183,462
<p>Deferred inflows and outflows related to participation in the OPEB plans are not reported in the funds.</p>		
		(189,060)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Accrued Interest on Bonds	(57,904)	
Post Retirement Benefits Obligation	(1,298,469)	
Bond Payable	(6,000,000)	
Bond Issue Premium	(205,305)	
Compensated Absences	(439,240)	
PSERS Net Pension Liability	<u>(15,284,122)</u>	
Total Liabilities		<u>(23,285,040)</u>
Net position on Governmental Activities (Page 4)		<u>\$ (2,449,643)</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Governmental Fund Types			Total
	General	Capital Projects	Capital Reserve	
<u>Revenues</u>				
Local sources	\$ 3,024,815	\$ 2,144	\$ 259	\$ 3,027,218
State sources	10,509,083	-	-	10,509,083
Federal sources	916,414	-	-	916,414
Total Revenues	14,450,312	2,144	259	14,452,715
<u>Expenditures</u>				
Current:				
Instruction	7,747,905	-	-	7,747,905
Support services	4,860,651	-	-	4,860,651
Student activities	589,904	-	-	589,904
Community services	654	-	-	654
Capital outlay - Facilities acquisition construction and improvement services	-	2,239	-	2,239
Total Expenditures	13,199,114	2,239	-	13,201,353
Excess of Revenues Over/(Under) Expenditures	1,251,198	(95)	259	1,251,362
Other Financing Sources/(Uses):				
Debt service	(675,960)	-	-	(675,960)
Capital contribution	-	-	-	-
Fund transfers	(800,000)	800,000	-	-
Total Other Financing Sources/(Uses)	(1,475,960)	800,000	-	(675,960)
Excess of Revenues and Other Sources Over/(Under) Expenditures and Other Uses	(224,762)	799,905	259	575,402
Fund Balances - July 1, 2021	6,377,016	18,417	39,756	6,435,189
Decrease in nonspendable fund balance	(773)	-	-	(773)
Fund Balances - June 30, 2022	\$ 6,151,481	\$ 818,322	\$ 40,015	\$ 7,009,818

See Independent Auditor's Report and Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds (page 8).	\$	575,402
The compensated absences portion of accrued wages and benefits in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(6,363)
The post retirement benefits obligation in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		147,129
The issuance of long-term debt (e.g. bonds, notes) 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 the differences in the treatment of long-term debt on the statement of activities.		539,274
Contributions to the pension plan are recognized as an expenditure in the governmental funds when they are due, and thus requires the use of current financial resources. The net pension liability and deferred inflows and outflows related to participation in the PSERS cost sharing pension plan in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		2,278,138
Accrued interest expense in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		8,167
The difference in the change in net assets between full accrual accounting and modified accrual accounting due to differing revenue recognition criteria between the two accounting methods.		(26,271)
The net effect of various transactions involving capital assets, (i.e. purchases, disposals, depreciation, etc.) is to increase net position.		<u>(755,156)</u>
Change in net position of governmental activities (page 5).	<u>\$</u>	<u>2,760,320</u>

PORTAGE AREA SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND-(FOOD SERVICE)
JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Assets		
Cash	\$	508,389
Due from other funds		426
Inventory		33,921
Capital assets		<u>66,819</u>
Total Assets		609,555
Deferred Outflows		
Defined benefit pension plan		303,972
Other postemployment benefits		<u>61,940</u>
Total Assets and Deferred Outflows	\$	<u><u>975,467</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Liabilities		
Accounts Payable		157,857
Accrued compensated absences		4,425
PSERS net pension liability		645,878
Other postemployment benefits liability		<u>71,421</u>
Total Liabilities		<u>879,581</u>
Deferred Inflows		
Unearned revenue		16,592
Defined benefit pension plan		254,595
Other postemployment benefits		<u>69,308</u>
Total Deferred Inflows		<u>340,495</u>
Net Position		
Invested in capital assets		66,819
Unrestricted		<u>(311,428)</u>
Total Net Position		<u>(244,609)</u>
Total Liabilities, Deferred Inflows and Net Position	\$	<u><u>975,467</u></u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND - (FOOD SERVICE)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating Revenues:	
Food service revenue	\$ 34,955
Other operating revenues	4,900
Total Operating Revenues	<u>39,855</u>
Operating Expenses	
Personnel services - Salaries	181,639
Personnel services - Employee benefits	5,677
Depreciation	17,235
Supplies	580,510
Total Operating Expenses	<u>785,061</u>
Operating (Loss)	<u>(745,206)</u>
Non-Operating Revenues	
State sources	30,269
Federal sources	1,008,450
Earnings on investments	1,261
Total Non-Operating Revenues	<u>1,039,980</u>
Increase in Net Position	294,774
Net Position at July 1, 2021	<u>(539,383)</u>
Net Position at June 30, 2022	<u>\$ (244,609)</u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND- (FOOD SERVICE)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Cash Flows From Operating Activities		
Cash received from users		\$ 35,176
Cash received from other operating revenue		4,900
Cash payments to employees for services		(269,046)
Cash payments to suppliers for goods and services		<u>(498,679)</u>
Net Cash (Used In) Operating Activities		(727,649)
Cash Flows From Non-Capital Financing Activities		
State sources		30,269
Federal sources		1,008,450
Transfer from other funds		<u>-</u>
Net Cash Provided By Non-Capital Financing Activities		1,038,719
Cash Flows From Investing Activities:		
Earnings on investments		<u>1,261</u>
Net Cash Provided By Investing Activities		<u>1,261</u>
Net Change in Cash During the Year		312,331
Cash and Cash Equivalents - July 1, 2021		<u>196,058</u>
Cash and Cash Equivalents - June 30, 2022		<u><u>\$ 508,389</u></u>
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (Loss)		\$ (745,206)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation		17,235
Increase in accounts payable		84,662
Decrease in receivables		-
(Increase) in inventories		(2,831)
(Increase) in deferred outflows		(80,826)
(Decrease) in accrued compensated absences		(1,600)
(Decrease) in PSERS net pension liability		(105,791)
(Decrease) in OPEB liability		(22,843)
Increase in deferred inflows		129,330
Increase in unearned revenue		<u>221</u>
Total Adjustments		<u>17,557</u>
Net Cash (Used In) Operating Activities		<u><u>\$ (727,649)</u></u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Assets		
Cash	\$	694,961
Total Assets and Deferred Outflows	\$	694,961

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Liabilities		
Payroll deductions and withholdings	\$	361,968
Due to other funds		265,243
Total Liabilities		627,211
Net Position		
Held in Trust to Benefit Students		67,750
Total Liabilities, Deferred Inflows and Net Position	\$	694,961

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating Revenues:	
Student Activities Revenue	\$ 7,419
Alumni Association Revenue	<u>-</u>
Total Operating Revenues	<u>7,419</u>
Operating Expenses:	
Student Activities Disbursements	18,032
Alumni Association Disbursements	<u>981</u>
Total Operating Expenses	<u>19,013</u>
Operating Loss	<u>(11,594)</u>
Change in Net Position	(11,594)
Net Position at Beginning of Year	<u>79,344</u>
Net Position at End of Year	<u><u>\$ 67,750</u></u>

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PORTAGE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Portage Area School District is a third class school district located in Portage, Pennsylvania. The financial statements have been prepared to reflect all activity of the School District. The School District does not serve as an oversight unit over any other governmental unit and, therefore, the reporting entity consists of only the School District.

Portage Area School District is established and empowered by the Commonwealth of Pennsylvania for the purpose of carrying out, on the local level, the Commonwealth's obligation of public education, as established by the constitution of the Commonwealth and by the school law code. The District provides elementary and secondary public school education to eligible resident children between the ages of five (5) and twenty-one (21) residing within its jurisdiction.

The District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB) pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

A. *Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District, which includes general operations, food service and student related activities of the Portage Area School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Portage Area School District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Portage Area School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. *Basis of Presentation*

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for two (2) business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

FUND FINANCIAL STATEMENTS

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

B. *Fund Accounting*

The accounts of the School District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. School District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into eight (8) generic fund types and three (3) broad fund categories as follows:

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

Major Fund:

General Fund -- The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Non-Major Funds:

Special Revenue -- The Special Revenue Fund is used to account for proceeds of specific revenue sources that are restricted or committed for specified purposes other than debt service and capital projects.

Capital Reserve Fund -- The Capital Reserve Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Proprietary Fund.

Capital Projects Fund -- The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed by the Proprietary Fund.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Fund (Food Service) -- The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The Food Services Fund is the School District's only enterprise fund and it is reported as a major fund. The Food Services Fund accounts for the financial transactions related to the food service operations of the School District.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for the assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are agency funds.

Agency Fund (Payroll Fund) -- An Agency Fund exists where the School District acts as an agent and custodian of funds placed in its care. Agency Funds are purely custodial and, therefore, do not require measurement of results of operations. This Agency Fund is used to account for the payroll funds of the General Fund.

Agency Fund (Activity Fund) -- The Activity Fund is a major type of Agency Fund used to account for the assets and liabilities of student organization funds placed in the custody of the School District.

Agency Fund (Scholarship Fund) -- The Scholarship Fund is a major type of Agency Fund used to account for the assets and liabilities of funds placed in the custody of the School District for student scholarships.

C. *Measurement Focus*

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position.

FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using a flow of current financial resources measurement focus in which only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (revenues and other financing resources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements; therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The enterprise fund is accounted for using a flow of economic resources measurement focus which is the same as government-wide financial statements. All assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise fund.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds operated by the District account for the assets held as an agent for the various student activities, account for the payroll and related payroll liabilities, as well as for to account for the assets and liabilities of funds placed in the custody of the School District for student scholarships.

D. *Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the budget when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final budget after all approved budget amendments are made during fiscal year 2022.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents. All cash is properly collateralized by securities held by the U. S. government or by the government's agent in the government's name.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on the first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand (\$1,000) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets except land, land improvements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Building and Building Improvements	10 – 40 Years	N/A
Furniture and Fixtures	5 – 15 Years	5 – 15 Years
Equipment	5 – 15 Years	5 – 15 Years

I. Income Taxes

Portage Area School District operates as a nonprofit organization and is not subject to federal or state income taxes.

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from/due to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Accumulated compensated absences for sick pay are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, only the current portion of the liability expected to be paid using expendable available resources is reported. In proprietary funds, the entire amount of compensated absences related to employees of those funds is reported as a fund liability.

L. *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Type statement of net position. Bond premiums and discounts, are unearned and amortized over the life of the bonds.

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

M. *Net Position*

Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws, or other regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. *Fund Balance*

The School District follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement required the governmental funds' fund balances to be classified into the following five (5) categories.

Non-spendable fund balance – fund balance permanently restricted and unavailable for current operations

Restricted fund balance – fund balance temporarily restricted for specified purposes stipulated by constitution, external resource providers, or through enabling legislation

Committed fund balance – fund balance temporarily restricted for specified purposes established by a formal action by the Board of Directors. Formal action by the Board of Directors is also necessary to modify or rescind a fund balance commitment.

Assigned fund balance – fund balance intended for a specific purpose that does not meet the criteria to be classified as restricted or committed. The Board of Directors has authorized the Business Administrator as the official authorized to assign fund balance to a specific purpose.

Unassigned fund balance – fund balance available for operations without any restriction

The School Board will spend the most restricted dollars before less restricted in the order as defined above.

The School District reports the following fund balance classifications:

	<u>General Fund</u>	
Non-spendable		<u>\$321,101</u>

This amount represents inventory of materials and supplies.

Committed		<u>\$3,448,851</u>
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This represents committed funds for retirement payouts.

Other Funds

Assigned for the following:

Capital Projects	\$ 818,322
Capital Reserve	<u>40,015</u>
	<u>\$ 858,337</u>

O. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current year.

Unearned revenue also arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the liability is removed from the Fund’s balance sheet and revenue is recognized.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales of food service. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

Q. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. *Pensions*

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

The School District follows GASB Statement No. 68, Accounting and Financial Reporting for Pensions. For cost-sharing plans, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) – the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

T. *Other Postemployment Benefits*

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

U. *Implementation of New Accounting Pronouncements*

GASB Statement No. 87, Leases, is effective for periods beginning after June 15, 2021. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, is effective for periods beginning after December 15, 2020. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 92, *Omnibus 2020*, is effective for periods beginning after June 15, 2021. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, is effective for periods beginning after June 15, 2021. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, is effective for periods beginning after June 15, 2021. The adoption of this Statement had no effect on previously reported amounts.

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

V. *Pending Changes in Accounting Principles*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The District is required to adopt Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The District is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The District is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

In October 2021, the GASB issued Statement No. 98, *the Annual Comprehensive Financial Report*. The District is required to adopt Statement No. 98 for its fiscal year 2023 financial statements.

In June 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The District is required to adopt Statement No. 99 for its fiscal year 2024 financial statements.

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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The District is required to adopt Statement No. 101 for its fiscal year 2024 financial statements.

NOTE 3

CASH AND INVESTMENTS

The organization has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to one hundred percent (100%) of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name. When certificates of deposit are purchased, the Organization or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

Pennsylvania Law limits investment and deposit types the organization may purchase as follows:

- (a) U.S. Treasury bills.
- (b) Short-term obligations of the U.S. government or its agencies.
- (c) Demand, savings, and time deposits with institutions insured by the FDIC or the National Credit Union Share Funds or collateralized with securities as provided by law.
- (d) Obligations of the United States or any of its agencies, the Commonwealth of Pennsylvania or any of its agencies or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies providing the obligations are backed by the full faith and credit of the political subdivision.

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 7,005,443
Fiduciary funds:	
Cash and investments	<u>694,961</u>
Total Cash and Investments	<u>\$ 7,700,404</u>

Cash and investments as of June 30, 2022, consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	<u>7,700,154</u>
Total Cash and Investments	<u>\$ 7,700,404</u>

NOTE 4 CAPITAL ASSETS

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 142,976	\$ ---	\$ ---	\$ 142,976
Construction in Progress	---	---	---	---
Total	142,976	---	---	142,976
Capital Assets Being Depreciated				
Building	27,051,913	---	---	27,051,913
Site Improvements	671,880	---	---	671,880
Equipment	3,594,569	46,681	---	3,641,250
Total Assets	<u>31,461,338</u>	<u>46,681</u>	<u>---</u>	<u>31,508,019</u>
Less Accumulated Depreciation:				
Building	(14,687,888)	(627,565)	---	(15,315,453)
Site Improvements	(358,578)	(1,873)	---	(360,451)
Equipment	<u>(3,050,848)</u>	<u>(172,399)</u>	<u>---</u>	<u>(3,223,247)</u>
Total Accumulated Depreciation	<u>(18,097,314)</u>	<u>(801,837)</u>	<u>---</u>	<u>(18,899,151)</u>
Governmental Activities Net Capital Assets	<u>\$13,364,024</u>	<u>\$ (755,156)</u>	<u>\$ ---</u>	<u>\$ 12,608,868</u>
Business-Type Activities				
<u>Capital Assets Being Depreciated</u>				
Machinery & Equipment	\$ 478,651	\$ ---	\$ ---	\$ 478,651
Less Accumulated Depreciation:				
Machinery & Equipment	<u>(394,597)</u>	<u>(17,235)</u>	<u>---</u>	<u>(411,832)</u>
Business-Type Activities Net Capital Assets	<u>\$ 84,054</u>	<u>\$ (17,235)</u>	<u>\$ ---</u>	<u>\$ 66,819</u>

For the year ended June 30, 2022, depreciation expense for the governmental activities was \$801,837. The expense was not allocated at the function level. Depreciation expense for the business-type activities was \$17,235. Unallocated depreciation expense as included in the entity wide statement of activities also includes a decrease of \$49,274 due to amortization of bond premiums and discounts.

NOTE 5 LIABILITY FOR COMPENSATED ABSENCES

Employees may accrue twelve (12) days of sick leave and two (3) personal days each year. Sick leave can be accumulated without limit whereas personal leave is limited to five (5) days. Upon retirement (see Note 6) employees may elect to receive any unused portion of their sick leave in cash. For each unused sick day, teachers and administrative personnel shall be paid \$85 per day with no maximum limit. Custodial employees shall receive a payment of \$50 for each day with no maximum limit. Cafeteria employees shall receive \$50 per day with no maximum limit.

Accrued compensated absences that are expected to be liquidated with expendable available resources have been recorded in the general fund as a current liability in the amount of \$35,223. The amount payable from future resources is reported on the government-wide statement of net position as a long-term liability in the amount of \$439,240. The District has no liability for unused vacation pay.

Teachers do not receive paid vacations, but are paid only for the number of days they are required to work each year. Custodial and administrative employees are granted vacation leave, which must be used in the year received. The District has no liability for unused vacation pay since all vacation leave is lost if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

NOTE 6 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least five hundred (500) hours of service in the school year, and part-time per diem public school employees who render at least eighty (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.state.pa.us.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age sixty-two (62) with at least one (1) year of credited service; (b) age sixty (60) with thirty (30) or more years of credited service; or (c) thirty-five (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 (2) 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 sixty-five (65) with a minimum of three (3) years of service or attain a total combination of age and service that is equal to or greater than ninety-two (92) with a minimum of thirty-five (35) years of service. 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. For members whose membership started prior to July 1, 2011, after completion of five (5) 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 (5) 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 sixty-two (62) with at least one (1) year of credited service (age sixty-five (65) with at least three (3) years of credited service for Class T-E and Class T-F members) or who has at least five (5) years of credited service (ten (10) years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2022, was 33.99% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,911,009 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$15,930,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District'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, 2022, the District's proportion was 0.0388 percent, which decreased 0.0003% from the proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$908,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ ---	\$ ---
Changes in assumptions	---	---
Net difference between projected and actual investment earnings	---	(7,012,161)
Changes in proportions	5,919,161	---
Difference between employer contributions and proportionate share of total contributions	---	---
Contributions subsequent to the measurement date	2,325,839	---
	<u>\$ 8,245,000</u>	<u>\$ (7,012,161)</u>

\$2,325,839 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$(181,000)
2024	(93,000)
2025	(819,000)

Changes in Actuarial assumptions

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

- Valuation Date - June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.5%.

- 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 decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real Estate	10.0%	4.7%
Global public equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Cash	3.0%	1.0%
Financing (LIBOR)	(13.0%)	1.0%
	100%	

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

Discount rate

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

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 20,909,000	\$ 15,930,000	\$ 11,730,000

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.state.pa.us.

NOTE 7 TAXES RECEIVABLE

Based upon assessments provided by the County, the School District collects property taxes through tax collectors employed by the District. The School District tax rate for the year ended June 30, 2022, was 52.0 mills as levied by the Board of School Directors on June 9, 2021. The Board of School Directors also levies per capita taxes based on the census of residents in the school district. The tax rate under Section 679 is \$10/person and Under Act 511 is \$5/person. The following is a summary of the tax calendar for the year ended June 30, 2022:

- Mailing Date - July 1, 2021
- Discount Period at 2% - July 1, 2021 to August 31, 2021
- Face Period – September 1, 2021 to October 31, 2021
- Penalty Period at 10% - November 1, 2021 to December 31, 2021
- Lien Date – January 15, 2022

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. The net amount estimated to be collectible which was measurable and available within sixty (60) days was recognized as revenue. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

Fund Financial Statement

Taxes receivable in the amount of \$20,764, as stated on the Governmental Funds Balance Sheet, are actual collections of lien properties and delinquent per capita taxes for the 2021-2022 fiscal year, which were collected in June, July and August of 2022, by the County.

Government Wide Financial Statement

In addition to the taxes receivable noted above, the Statement of Net Position includes taxes receivable from fiscal years 2021-2022 and prior that are summarized as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Estimated to be Collectible</u>
Property taxes	\$ 339,724	\$ (129,203)	\$ 210,521
Wage taxes	<u>130,207</u>	<u>(97,655)</u>	<u>32,552</u>
Grand Total	<u>\$ 469,931</u>	<u>\$ (226,858)</u>	<u>\$ 243,073</u>

NOTE 8 BONDS PAYABLE

The following is a description of the long-term liabilities as reported in the financial statements at June 30, 2022.

\$5,530,000 General Obligation Bonds Series A of 2019	\$ 4,570,000
\$1,460,000 General Obligation Bonds Series B of 2019	<u>\$ 1,430,000</u>
Total	<u>\$ 6,000,000</u>

A description of the Long-Term Liabilities is as follows:

BONDS PAYABLE

2019 General Obligation Bonds Series A

In December of 2019, the School District issued General Obligation Bonds, Series A of 2019, in the amount of \$5,530,000 with an interest rate ranging from 2.0% to 5.0%. The cumulative effective interest rate of the General Obligation Bonds, Series A and Series B of 2019, is 2.05%. The proceeds of the bond were used for the current refunding of the School District's General Obligation Bonds, Series 2014, and paying allocated costs and expenses related to the issuance of the 2019A Bonds. Interest paid on the General Obligation Bond, Series A of 2019 during the year amounted to \$151,880.

2019 General Obligation Bonds Series B

In December of 2019, the School District issued General Obligation Bonds, Series B of 2019, in the amount of \$1,460,000 with an interest rate ranging from 2.0% to 5.0%. The proceeds of the bond were used for the current refunding of the School District's General Obligation Bonds, Series 2014, and paying allocated costs and expenses related to the issuance of the 2019B Bonds. Interest paid on the General Obligation Bond, Series B of 2019 during the year amounted to \$34,080.

The cumulative effective interest rate on the combined 2019 Bonds amounts to 2.05%. The cash flow savings from servicing the old debt to servicing the new debt amounted to \$276,076, which resulted in an economic gain of \$245,974.

Governmental Activities:

	Outstanding 6/30/21	Paid/ Refunded	Issued	Outstanding 6/30/22	Amounts Due Within One Year
Bonds Payable:					
2019 A General Obligation Bonds	\$ 5,050,000	\$ (480,000)	\$ ---	\$ 4,570,000	\$ 505,000
2019 B General Obligation Bonds	1,440,000	(10,000)	---	1,430,000	10,000
Total Bonds Payable	<u>\$ 6,490,000</u>	<u>\$ (490,000)</u>	<u>\$ ---</u>	<u>\$ 6,000,000</u>	<u>\$ 515,000</u>

Total interest expense for the year ended June 30, 2022, was \$185,960. Unallocated interest on long-term debt as included in the entity wide statement of activities also includes bond issue costs.

Debt maturity:

Debt service requirements at June 30, 2022, were as follows:

Governmental Activities – Bonds

Year ended June 30	Principal	Interest
2023	\$ 515,000	\$ 160,835
2024	540,000	134,460
2025	560,000	106,960
2026	585,000	87,110
2027	600,000	75,260
2028-2032	2,600,000	198,081
2033-2037	600,000	12,113
	<u>\$ 6,000,000</u>	<u>\$ 774,819</u>

NOTE 9 POST-EMPLOYMENT BENEFITS

Plan Description and Funding Policy

The School District sponsors a single-employer post-retirement medical plan. The plan provides medical and death benefits to eligible retirees and their spouses for employees hired prior to July 1, 2007. The School District entered into a new plan on July 1, 2007, which provides medical and death benefits to eligible retirees.

The School District provides post-retirement health care benefits to teachers and administrative personnel who retire from the School District with a minimum of thirty (30) years of service or after attaining age fifty-five (55) with at least ten (10) years of service. The School District is on a pay-as-you-go funding for the post-retirement health care benefits. During fiscal year 2022, there were no expenditures were recognized for post-retirement health care.

Currently, nine (9) retirees meet those eligibility requirements. The School District reimburses one hundred percent (100%) of the amount of validated claims for medical, dental, and vision costs incurred by pre-Medicare retirees and their dependents.

However, if the retiree chooses to opt out of the benefits the School District will pay the retiree forty percent (40%) of the premium cost for the program under which the retiree was enrolled.

In the event that the insurance coverage increases more than ten percent (10%) annually, the retiree is responsible for paying the difference from the previous years' costs until the retiree reaches age sixty-five (65).

Employees covered by benefit terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active plan members	92
Inactive plan members entitled to but not yet receiving benefits	0
Inactive plan members currently receiving benefits	<u>5</u>
	<u>97</u>

Net OPEB Liability

The District's net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

Actuarial valuation date:	July 1, 2021
Actuarial cost method:	Entry Age Normal Cost Method
Discount Rate:	2.28%
Health care inflation rates:	5.5% in 2021-2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of

Actuaries Long-Run Medical Cost Trend Model.

Retirement age assumption: 55-65 based on years of service
 Salary Increases: 2.50%
 Mortality: Buck Modified 2016 projection scale

Changes in the Net OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 1,227,489
Changes for the year:	
Service Cost	62,105
Interest	42,256
Changes in benefit terms	---
Differences between expected and actual experience	(567,444)
Changes of assumptions	(212,054)
Benefit payments	(102,462)
	<hr/>
Net Changes	(777,599)
	<hr/>
Balance at June 30, 2022	<u>\$ 449,890</u>

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

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

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
	<hr/>	<hr/>	<hr/>
Total OPEB Liability	\$ 486,534	\$ 449,890	\$ 414,952

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

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

	1% Decrease	Trend Rate	1% Increase
	<hr/>	<hr/>	<hr/>
Total OPEB Liability	\$ 389,680	\$ 449,890	\$ 522,433

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

At June 30, 2022, the District reported a liability of \$449,890 for its net OPEB liability.

For the year ended June 30, 2022, the District recognized OPEB expense of \$59,489. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ ---	\$ 1,982,622
Changes in assumptions	1,352,925	---
Benefit payments subsequent to the measurement date	305,528	---
	<u>\$ 1,658,453</u>	<u>\$ 1,982,622</u>

The \$305,528 amount reported as deferred outflows of resources resulting from the District’s benefit payments subsequent to the measurement date will be recognized as a reduction in next year’s total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (22,847)
2024	(159,043)
2025	12,502
2026	(9,112)
2027	(19,919)
Thereafter	(431,278)

PSERS Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$44,978 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$920,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0388 percent, which decreased 0.0004% from the proportion from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$51,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ ---	\$ ---
Changes in assumptions	---	
Net difference between projected and actual investment earnings	115,256	---
Changes in proportions	---	42,256
Difference between employer contributions and proportionate share of total contributions	---	---
Contributions subsequent to the measurement date	54,742	---
	<u>\$ 169,998</u>	<u>\$ 42,256</u>

\$54,742 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ 33,000
2024	13,000
2025	13,000
2026	14,000

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.5% and 2.0% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The 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.

OPEB – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	(0.3%)
	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, 2021.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	Dollar Amounts in Thousands		
	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 920,000	\$ 920,000	\$ 920,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
	District's proportionate share of the net OPEB liability	\$ 1,056,000	\$ 920,000

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 10 RIGHT-TO-USE LEASES

On June 8, 2020, the District entered into a 5-year lease as a lessee for the use of copier equipment. Total lease expense incurred under all operating leases for fiscal years ending June 30, 2022, amounted to \$29,088.

Future Minimum Operating Lease Payments

The following is a schedule of future minimum operating lease payments as of June 30, 2022:

Year ending June 30:	<u>Operating</u>
2023	\$ 14,544
Total	<u>\$ 14,544</u>

NOTE 11 NONMONETARY TRANSACTIONS

The District receives one of its federal program subsidies by means of a noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as received. The total food commodities donated by the federal government for the fiscal year 2022 totaled \$87,279.

NOTE 12 ECONOMIC DEPENDENCY

Portage Area School District receives approximately seventy-three percent (73%) of its revenue from the state of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

Litigation

In the normal course of operations, the School District is involved in various disputes and grievances. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the School District's financial position.

Coronavirus Pandemic

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the District's operations and financial results are uncertain at this time.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events have been considered through November 30, 2022, the date the financial statements were available to be issued.

REQUIRED
SUPPLEMENTARY
INFORMATION

PORTAGE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PSERS PENSION PLAN
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.0388%	0.0391%	0.0396%	0.0406%	0.0401%	0.0401%	0.0402%	0.0404%	0.0399%
District's proportionate share of the net pension liability (asset)	\$ 15,930,000	\$ 19,252,000	\$ 18,526,000	\$ 19,490,000	\$ 19,805,000	\$ 19,872,000	\$ 17,413,000	\$ 15,991,000	\$ 16,334,000
District's covered-employee payroll	\$ 5,491,300	\$ 5,518,412	\$ 5,446,570	\$ 5,476,153	\$ 5,364,251	\$ 5,296,005	\$ 5,353,782	\$ 5,197,806	\$ 5,117,496
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	290.10%	348.87%	340.14%	355.91%	369.20%	375.23%	325.25%	307.65%	319.18%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

* The amounts presented for each fiscal year were determined as of 6/30
Only years of data are available

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PSERS PENSION PLAN
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,911,009	\$ 1,842,698	\$ 1,854,386	\$ 1,778,462	\$ 1,739,656	\$ 1,588,647	\$ 1,373,116	\$ 1,505,455	\$ 1,189,164
Contributions in relation to the contractually required contribution	<u>\$ 1,911,009</u>	<u>\$ 1,842,698</u>	<u>\$ 1,854,386</u>	<u>1,778,462</u>	<u>1,739,656</u>	<u>1,588,647</u>	<u>1,373,116</u>	<u>1,505,455</u>	<u>1,189,164</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,601,494	\$ 5,491,300	\$ 5,518,412	\$ 5,446,570	\$ 5,476,153	\$ 5,364,251	\$ 5,296,005	\$ 5,353,782	\$ 5,197,806
Contributions as a percentage of covered-employee payroll	34.12%	33.56%	33.60%	32.65%	31.77%	29.62%	25.93%	28.12%	22.88%

*Only years of data available

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service Cost	\$ 62,105	\$ 62,786	\$ 62,786	\$ 46,599	\$ 47,033	\$ 40,208
Interest	42,256	42,204	42,204	28,915	33,065	61,418
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(568,538)	-	-	23,015	-	(379,236)
Changes of assumptions	(212,054)	-	-	265,763	-	170,268
Benefit Payments	(102,462)	(103,896)	(103,896)	(156,862)	(279,532)	(339,012)
Net Change in total OPEB liability	(778,693)	1,094	1,094	207,430	(199,434)	(446,354)
Total OPEB Liability - beginning	<u>1,228,583</u>	<u>1,227,489</u>	<u>1,226,395</u>	<u>1,018,965</u>	<u>1,218,399</u>	<u>1,664,753</u>
Total OPEB Liability - ending (a)	<u><u>449,890</u></u>	<u><u>1,228,583</u></u>	<u><u>1,227,489</u></u>	<u><u>1,226,395</u></u>	<u><u>1,018,965</u></u>	<u><u>1,218,399</u></u>
Covered-employee payroll	\$ 4,850,291	\$ 4,994,934	\$ 4,994,934	\$ 4,873,106	\$ 4,876,491	\$ 4,757,552
Total OPEB liability as a percentage of covered-employee payroll	9.28%	24.60%	24.57%	25.17%	20.90%	25.61%

*The years presented in this schedule are all of the years in which information is available.

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB PLAN
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ 23,652	\$ 88,577	\$ 187,415
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,652</u>	<u>88,577</u>	<u>187,415</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,850,291	\$ 4,994,934	\$ 4,994,934	\$ 4,873,106	\$ 4,876,491	\$ 4,757,552
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.49%	1.82%	3.94%

*The years presented in this schedule are all of the years in which information is available.

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PSERS OPEB PLAN
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.0388%	0.0392%	0.0396%	0.0406%	0.0401%	0.0401%
District's proportionate share of the net OPEB liability (asset)	\$ 920,000	\$ 847,000	\$ 842,000	\$ 846,000	\$ 817,000	\$ 864,000
District's covered-employee payroll	\$ 5,605,140	\$ 5,618,076	\$ 5,571,842	\$ 5,476,153	\$ 5,364,251	\$ 5,296,005
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.41%	15.08%	15.11%	15.45%	15.23%	16.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

* The amounts presented for each fiscal year were determined as of 6/30
Only years of data are available

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PSERS OPEB PLAN
LAST 10 FISCAL YEARS*
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 44,978	\$ 45,091	\$ 46,693	\$ 45,280	\$ 45,492	\$ 45,157
Contributions in relation to the contractually required contribution	<u>44,978</u>	<u>45,091</u>	<u>46,693</u>	<u>45,280</u>	<u>45,492</u>	<u>45,157</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,737,797	\$ 5,605,140	\$ 5,618,076	\$ 5,571,842	\$ 5,476,153	\$ 5,364,251
Contributions as a percentage of covered-employee payroll	0.78%	0.80%	0.83%	0.81%	0.83%	0.84%

*Only years of data are available

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local Sources:				
Taxes	\$ 2,495,265	\$ 2,495,265	\$ 2,748,943	\$ 253,678
Investment income	32,500	32,500	41,157	8,657
Other income	210,530	210,530	234,715	24,185
Total Local Sources	2,738,295	2,738,295	3,024,815	286,520
State Sources	10,446,398	10,446,398	10,509,083	62,685
Federal Sources	322,999	322,999	916,414	593,415
Total Revenues	13,507,692	13,507,692	14,450,312	942,620
Expenditures				
Instruction:				
Regular programs - Elementary/Secondary	5,831,444	5,831,444	5,910,418	(78,974)
Special programs - Elementary/Secondary	1,575,481	1,575,481	1,417,501	157,980
Vocational education program	290,000	290,000	332,515	(42,515)
Other instructional programs - Elementary/Secondary	110,046	110,046	87,471	22,575
Nonpublic School Programs	794	794	-	794
Total Instruction	7,807,765	7,807,765	7,747,905	59,860
Support Services:				
Pupil personnel	286,804	286,804	290,358	(3,554)
Instructional staff	396,784	396,784	317,843	78,941
Administration	1,244,995	1,244,995	1,306,029	(61,034)
Pupil health	299,803	299,803	277,378	22,425
Business	391,690	391,690	394,460	(2,770)
Operation and maintenance of plant services	1,056,979	1,056,979	1,082,383	(25,404)
Student transportation services	645,000	645,000	659,822	(14,822)
Central	1,850	1,850	1,816	34
Other support services	359,737	359,737	530,562	(170,825)
Total Support Services	4,683,642	4,683,642	4,860,651	(177,009)

See Independent Auditor's Report

PORTAGE AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Operation of Noninstructional Services:				
Student activities	\$ 97,044	\$ 97,044	\$ 589,904	\$ (492,860)
Community services	700	700	654	46
Total Operation of Noninstructional Services	<u>97,744</u>	<u>97,744</u>	<u>590,558</u>	<u>(492,814)</u>
Total Expenditures	<u>12,589,151</u>	<u>12,589,151</u>	<u>13,199,114</u>	<u>(609,963)</u>
Excess of Revenues Over Expenditures	<u>918,541</u>	<u>918,541</u>	<u>1,251,198</u>	<u>332,657</u>
Other Financing Sources/(Uses):				
Interfund transfer in/(out)	(467,741)	(467,741)	(800,000)	(332,259)
Debt service	(675,960)	(675,960)	(675,960)	-
Total Other Financing Sources/(Uses)	<u>(1,143,701)</u>	<u>(1,143,701)</u>	<u>(1,475,960)</u>	<u>(332,259)</u>
Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(225,160)</u>	<u>(225,160)</u>	<u>(224,762)</u>	<u>\$ 398</u>
Fund Balance - July 1, 2021	-	-	6,377,016	
Increase in nonspendable fund balance	<u>-</u>	<u>-</u>	<u>(773)</u>	
Fund Balance - June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,151,481</u>	

Portage Area School District
Schedule of Expenditures of Federal Awards
For the Year Ending June 30, 2022

Schedule I

GRANTOR PROGRAM TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED/ (RETURNED) FOR YEAR	ACCRUED (DEFERRED REVENUE) 07-01-21	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED REVENUE) 6-30-22
U.S. DEPARTMENT OF EDUCATION										
<u>Passed Through the Pa. Dept. of Education:</u>										
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-20-0346	07-01-19 09-30-20	\$ 257,008	\$ 120	\$ 120	\$ -	\$ -	\$ -
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-21-0346	07-01-20 09-30-21	\$ 254,006	67,689	67,689	-	-	-
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-22-0346	07-01-21 09-30-22	\$ 251,083	200,866	-	251,083	251,083	50,217
TOTAL CFDA #84.010						268,675	67,809	251,083	251,083	50,217
TITLE II IMPROVING TEACHER QUALITY	I	84.367	020-22-0346	07-01-21 09-30-22	\$ 31,179	31,526	-	31,526	31,526	-
TOTAL CFDA #84.367						31,526	-	31,526	31,526	-
TITLE IV STUDENT SUPPORT AND ACADEMIC ENRICHMENT GRANTS	I	84.424	144-21-0346	07-01-20 09-30-21	\$ 19,491	5,198	5,198	-	-	-
TITLE IV STUDENT SUPPORT AND ACADEMIC ENRICHMENT GRANTS	I	84.424	144-22-0346	07-01-21 09-30-22	\$ 19,107	19,094	-	19,094	19,094	-
TOTAL CFDA #84.424						24,292	5,198	19,094	19,094	-
EDUCATION STABILIZATION FUNDS:										
<u>Passed Through the Pa. Dept. of Education:</u>										
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND	I	84.425D	200-21-0346	03-13-20 09-30-23	\$ 938,187	261,819	-	279,394	279,394	17,575
TOTAL CFDA #84.425D						261,819	-	279,394	279,394	17,575
ARP ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND	I	84.425U	223-21-0346	3-13-20 9-30-24	\$ 1,897,681	103,510	-	267,240	267,240	163,730
ARP ESSER 2.5% - Relief for Other LEAs Set-Aside	I	84.425U	224-21-0346	3-13-20 9-30-24	\$ 26,701	971	-	26,701	26,701	25,730
ARP ESSER 7% - Learning Loss Set-Aside	I	84.425U	225-21-0346	3-13-20 9-30-24	\$ 105,352	22,986	-	22,986	22,986	-
ARP ESSER 7% - Summer Enrichment Set-Aside	I	84.425U	225-21-0346	3-13-20 9-30-24	\$ 21,070	4,597	-	4,597	4,597	-
ARP ESSER 7% - Afterschool Programs Set Aside	I	84.425U	225-21-0346	3-13-20 9-30-24	\$ 21,070	4,597	-	4,597	4,597	-
TOTAL CFDA #84.425U						136,661	-	326,121	326,121	189,460
ARP ESSER Homless Children and Youth	I	84.425W	181-21-2349	7-1-21 9-30-24	\$ 6,819	525	-	525	525	-
TOTAL CFDA #84.425W						525	-	525	525	-
TOTAL CFDA #84.425						399,005	-	606,040	606,040	207,035

Portage Area School District
 Schedule of Expenditures of Federal Awards
 For the Year Ending June 30, 2022

Schedule I

GRANTOR PROGRAM TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED/ (RETURNED) FOR YEAR	ACCRUED (DEFERRED REVENUE) 07-01-21	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED REVENUE) 6-30-22
<u>Passed Through the Appalachia Intermediate Unit 8:</u>										
Special Education Cluster (IDEA):										
IDEA PART B	I	84.027	062-21-0008	07-01-20 06-30-21	\$ 177,378	177,378	177,378	-	-	-
IDEA PART B	I	84.027	062-22-0008	07-01-21 06-30-22	\$ 190,506	-	-	190,506	190,506	190,506
IDEA PART B (ARP)	I	84.027	N/A	07-01-21 06-30-22	\$ 38,505	-	-	38,505	38,505	38,505
COVID-19 SECIM	I	84.027	N/A	07-01-21 06-30-22	\$ 667	667	-	667	667	-
TOTAL CFDA #84.027						178,045	177,378	229,678	229,678	229,011
IDEA PART B	I	84.173	131-21-0008	07-01-20 06-30-21	\$ 1,264	1,264	1,264	-	-	-
IDEA PART B	I	84.173	131-22-0008	07-01-21 06-30-22	\$ 3,450	-	-	3,450	3,450	3,450
TOTAL CFDA #84.173						1,264	1,264	3,450	3,450	3,450
TOTAL SPECIAL EDUCATION CLUSTER - CFDA #84.027 & 84.173						179,309	178,642	233,128	233,128	232,461
TOTAL U.S. DEPARTMENT OF EDUCATION						\$ 902,807	\$ 251,649	\$ 1,140,871	\$ 1,140,871	\$ 489,713
U. S. DEPARTMENT OF AGRICULTURE										
Child Nutrition Cluster:										
<u>Passed Through the Pa. Dept. of Agriculture:</u>										
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07-01-21 06-30-22	\$ 60,090	60,090	(16,371)	59,869	59,869	(16,592)
<u>Passed Through the Pa. Dept. of Education:</u>										
LUNCH HI/LOW	I	10.555	362	07-01-21 06-30-22	\$ 428,923	568,441	24,510	562,538	562,538	18,607
Supply Chain Assistance	I	10.555	356	07-01-21 06-30-22	\$ 20,748	20,748	-	20,748	20,748	-
SNP Emergency Operating Costs	I	10.555	357	07-01-21 06-30-22	\$ 16,432	16,432	-	16,432	16,432	-
TOTAL CFDA #10.555						665,711	8,139	659,587	659,587	2,015
SEVERE NEED BREAKFAST	I	10.553	365	07-01-21 06-30-22	\$ 265,323	323,596	(12,699)	320,200	320,200	(16,095)
TOTAL CFDA #10.553						323,596	(12,699)	320,200	320,200	(16,095)
TOTAL CHILD NUTRITION CLUSTER - CFDA #10.555 & 10.553						989,307	(4,560)	979,787	979,787	(14,080)
Pandemic EBT Administrative Costs	I	10.649	358	07-01-21 06-30-22	\$ 614	614	-	614	614	-
TOTAL CFDA #10.649						614	-	614	614	-
FOOD NUTRITION SERVICE-LUNCH	S	N/A	510	07-01-21 06-30-22	\$ 16,997	17,903	626	17,674	17,674	397
FOOD NUTRITION SERVICE-BREAKFAST-NEEDY	S	N/A	511	07-01-21 06-30-22	\$ 11,846	12,756	233	12,595	12,595	72
TOTAL STATE						30,659	859	30,269	30,269	469
TOTAL U. S. DEPARTMENT OF AGRICULTURE						\$ 1,020,580	\$ (3,701)	\$ 1,010,670	\$ 1,010,670	\$ (13,611)
Total Federal and State						\$ 1,923,387	\$ 247,948	\$ 2,151,541	\$ 2,151,541	\$ 476,102
Total Federal						\$ 1,892,728	\$ 247,089	\$ 2,121,272	\$ 2,121,272	\$ 475,633

I = Indirect Funding
 S = State Funding

PORTAGE AREA SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Portage Area School District and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 VALUE OF USDA DONATED COMMODITIES INVENTORY

The inventory of USDA donated commodities is valued according to the value established by the USDA.

NOTE 3 INDIRECT COST RATE

For the year ended June 30, 2022, Portage Area School District did not elect to use the ten percent (10%) de minimus indirect cost rate as allowed in the Uniform Guidance, section 414.

NOTE 4 AMOUNTS PASSED TO SUBRECIPIENTS

Portage Area School District did not provide federal awards to subrecipients during the year ended June 30, 2022.

NOTE 5 MAJOR PROGRAM DETERMINATION

The major federal award programs selected for testing as determined by the auditor on a risk-based approach are as follows:

<u>Programs</u>	<u>AL #</u>	<u>Expenditures</u>
Child Nutrition Cluster	10.553/10.555	\$ 979,787
Elementary and Secondary School Emergency Relief Fund - ESSER	84.425	<u>606,040</u>
Total federal expenditures selected for testing		\$ 1,585,827
Total federal expenditures		\$ <u>2,120,658</u>
Percentage of total federal expenditures tested		<u>74.78%</u>
Percentage of total federal expenditures required to be tested		<u>20.00%</u>

**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 ACCORDING WITH GOVERNMENT AUDITING STANDARDS**

Directors of the Board of Education
Portage Area School District
Portage, Pennsylvania

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

WESSEL & COMPANY
Certified Public Accountants

November 30, 2022

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

Directors of the Board of Education
Portage Area School District
Portage, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Portage Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Portage Area School District's major federal programs for the year ended June 30, 2022. Portage Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Portage Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Portage Area School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Portage Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Portage Area School District'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 Portage Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Portage Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Portage Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

WESSEL & COMPANY
Certified Public Accountants

November 30, 2022

PORTAGE AREA SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.425	Elementary and Secondary School Emergency Relief Fund - ESSER

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

Auditee qualified as low-risk auditee? Yes No

PORTAGE AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2022

NONE

PORTAGE AREA SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2022

NONE NECESSARY