

SUGAR VALLEY RURAL CHARTER SCHOOL

Single Audit Package

June 30, 2022

SUGAR VALLEY RURAL CHARTER SCHOOL

Audited Financial Statements

June 30, 2022

TABLE OF CONTENTS

List of Report Distribution	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-12
Basic Financial Statements	
<u>Government-Wide Financial Statements:</u>	
EXHIBIT A Statement of Net Position June 30, 2022	13
EXHIBIT B Statement of Activities For the Year Ended June 30, 2022	14
<u>Fund Financial Statements:</u>	
EXHIBIT C Balance Sheet – Governmental Funds June 30, 2022	15
EXHIBIT D Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022	16
EXHIBIT E Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2022	17
EXHIBIT F Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Year Ended June 30, 2022	18
EXHIBIT G Statement of Net Position – Proprietary Fund June 30, 2022	19
EXHIBIT H Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund For the Year Ended June 30, 2022	20
EXHIBIT I Statement of Cash Flows – Proprietary Fund For the Year Ended June 30, 2022	21-22
EXHIBIT J Statement of Net Position – Fiduciary Funds June 30, 2022	23
EXHIBIT K Statement of Changes in Net Position – Fiduciary Funds For the Year Ended June 30, 2022	24
<u>Notes to Financial Statements</u>	25-42

TABLE OF CONTENTS (Continued)

Required Supplementary Information

SCHEDULE A	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund For the Year Ended June 30, 2022	43
SCHEDULE B	Schedule of the School's Proportionate Share of the Net Pension Liability Commonwealth of PA School Employees Retirement System (PSERS) June 30, 2022	44
SCHEDULE C	Schedule of the School's Contributions for Pension Benefits Commonwealth of PA School Employees Retirement System (PSERS) June 30, 2022	45
SCHEDULE D	Schedule of the School's Proportionate Share of the Net Premium Assistance OPEB Liability --Commonwealth of PA School Employees Retirement System (PSERS) June 30, 2022	46
SCHEDULE E	Schedule of the School's Contributions for Premium Assistance OPEB - Commonwealth of PA School Employees Retirement System (PSERS) June 30, 2022	47
SCHEDULE F	Schedule of Changes in Net Liability and Covered Payroll - Sugar Valley Rural Charter School Postemployment Benefit Plan - OPEB June 30, 2022	48
	Notes to Required Supplementary Information	49

Other Supplementary Information

	Schedule of Expenditures of Federal Awards Year Ended June 30, 2022	50-51
	Notes to the Schedule of Expenditures of Federal Awards	52
	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53-54
	Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	55-57
	Summary Schedule of Prior Year Findings and Questioned Costs Year Ended June 30, 2022	58
	Schedule of Findings and Questioned Costs Year Ended June 30, 2022	59-61
	Corrective Action Plan	62

SUGAR VALLEY RURAL CHARTER SCHOOL

List of Report Distribution

June 30, 2022

Keystone Central School District
Lock Haven, PA

Federal Audit Clearinghouse
Bureau of Census
(Electronic Submission)



MARGARET MCCLUSKEY CPA LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
SUGAR VALLEY RURAL CHARTER SCHOOL
Loganton, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Sugar Valley Rural Charter School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Sugar Valley Rural Charter School'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 remaining fund information of the Sugar Valley Rural Charter School, 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 Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sugar Valley Rural Charter School'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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 12), budgetary information, supplementary pension information, other postemployment benefits information and related notes (pages 43 through 49) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

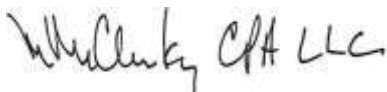
INDEPENDENT AUDITOR'S REPORT (continued)

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sugar Valley Rural Charter School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 50 through 51), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on our consideration of the Sugar Valley Rural Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sugar Valley Rural Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sugar Valley Rural Charter School's internal control over financial reporting and compliance.



Mifflinburg, Pennsylvania
January 17, 2023

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2022

This section of the Sugar Valley Rural Charter School's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Discussion Board's (GASB) Statement No. 34- *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2021-2022) and the prior year (2020-2021) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-2022 fiscal year include the following:

- Net position was (\$1,717,630) (deficit) on June 30, 2021, and (\$1,516,860) (deficit) on June 30, 2022. The net position includes accounting changes to reflect PSERS deficits at the state level in the school district's financial statement. The increase in net position reflects \$200,770 more revenue than expenses.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
 - School-wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Budget and Actual Comparison
- Information related to Pension Benefit Obligations
- Information related to Other Post Employment Benefit Obligations

The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *school-wide financial statements* that provide both short-term and long-term information about the Schools overall financial status.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2022

- The remaining statements are *fund financial statements* that focus on individual parts of the school, reporting the school's operations in more detail than the school-wide statements.
 - The *governmental funds statements* include the General fund, Capital Projects fund and Special Revenue Student Activities fund. The General fund tells how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - *Proprietary funds* statements offer short- and long-term financial information about the activities the school operates *like businesses*.
 - *Fiduciary funds* statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

Following is a description of the School-wide financial statements and the fund financial statements

School-wide Statements

The school-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. 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 statement of net position includes all of the School's assets and liabilities.

The two school-wide statements report the School's net position and how they have changed. Net position represents the difference between the School's assets and deferred outflows, and the Schools liabilities and deferred inflows. Consideration of net position is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the School you also need to consider additional non-financial factors such as changes in the tuition rate received from Home School district of students and the condition of school buildings and other facilities.

In the school wide financial statements, the School's activities are shown in two categories:

- *Governmental activities*-Most of the School's basic services are included here, such as regular and special education, transportation, administration, community education, capital projects and student activities. The tuition received from Home School district of students and state aids finance most of these activities.
- *Business Type activities*-The school's cafeteria is a business type activity.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2022

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds - focusing on its most significant or "major" funds - not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

The School has three kinds of funds:

- *Governmental funds*- Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short- term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at Exhibits D and F that explains the relationship (or differences) between the School-wide statements and the governmental funds statements.
- *Proprietary funds* – Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the School-wide statements.

The school uses enterprise funds to report activities that provide supplies and services for the school's other programs and activities. The school currently has one enterprise fund for the cafeteria.

Enterprise funds are established in the School to account for goods and services provided to the student body and staff. The food service fund is the primary enterprise fund of the school. The prices charged by the cafeteria may not materially exceed its expenditures. Any funds remaining from operations must be used only for the maintenance and improvement of the school's cafeteria facilities.

- *Fiduciary funds*- The School is the trustee, or fiduciary, for assets that belong to others. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the school-wide financial statements because the School cannot use these assets to finance its operations.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2022

Overview Summary

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain.

*Figure A-1
Major Features of the School-wide and Fund Financial Statements*

	<i>School Wide Statements</i>	<i>Fund Financial Statements</i>		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<i>Scope</i>	<i>Entire School (except fiduciary funds)</i>	<i>The activities of the school that are not Proprietary or Fiduciary. The governmental activities include general, capital projects and student activities.</i>	<i>Activities the school that operate similar to private businesses: Enterprise Fund (food service)</i>	<i>Instances in which the school administers resources on behalf of someone else</i>
<i>Required financial statements</i>	<ul style="list-style-type: none"> • <i>Statement of net position</i> • <i>Statement of activities</i> 	<ul style="list-style-type: none"> • <i>Balance Sheet</i> • <i>Statement of revenue, expenditures and changes in fund balances</i> 	<ul style="list-style-type: none"> • <i>Statement of net position</i> • <i>Statement of revenue, expenses, and changes in fund net position</i> • <i>Statement of cash flows</i> 	<ul style="list-style-type: none"> • <i>Statement of Fiduciary net position</i> • <i>Statement of changes in fiduciary net position</i>
<i>Accounting Basis and Measurement focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Modified accrual accounting and current financial focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Accrual accounting and economic resources focus</i>
<i>Type of asset/liability information</i>	<i>All assets and liabilities, both financial and capital, short-term and long-term</i>	<i>Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets of long-term liabilities included</i>	<i>All assets and liabilities, both financial and capital, and short-term and long-term</i>	<i>All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can</i>
<i>Type of inflow/outflow information</i>	<i>All revenues and expenses during the year, regardless of when the cash is received or paid</i>	<i>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.</i>	<i>All revenues and expenses during the year, regardless of when cash is received or paid.</i>	<i>All additional and dedications during the year, regardless of when cash is received or paid.</i>

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Changes in Net position. Total revenues were greater than expenses, increasing net position \$200,770 (See Table A-2).

Table A-2
Sugar Valley Rural Charter School
Change in Net position
For the year ended June 30, 2021 and 2022

	2021	2022
Revenues		
Program Revenues		
Charges for services/operating grants and contributions-governmental activities	9,094,498	9,049,185
Charges for services/operating grants and contributions-food service activities	294,994	478,389
General Revenues		
Investment Earnings	102,256	69,067
Misc. Income	38,306	122,154
Other General Revenues-Donations	0	20,000
Gain/(loss) on sale of fixed assets	(1,200)	(2,866)
Total	9,528,854	9,735,938
Expenses		
Instruction	5,688,964	5,400,852
Instruction Student Support	669,560	674,064
Administrative and Financial Support Services	970,245	970,694
Operation and Maintenance of Plant Services	964,324	622,398
Pupil Transportation	64,726	54,661
Student Activities	115,738	189,074
Facilities Acquisition Services	0	22,855
Communities Services	0	0
Depreciation	202,452	357,916
Food Service	344,528	355,992
Health Services	282,236	253,917
Central Services	435,312	472,660
Interest Expense	2,788	160,076
Total	9,740,873	9,535,159
Transfers		
From Governmental activities	0	0
Into Business type activities for support of food services	0	0
Net Transfers	0	0
Change in net position	(212,019)	200,770
Prior Period Adjustment	50,512	0
Ending of year net position	(1,717,630)	(1,516,860)

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis
Year Ended June 30, 2022

Net position. The School’s combined net position was (\$1,516,860) on June 30, 2022. (See Table A-3.)

*Table A-3
Sugar Valley Rural Charter School
Net position
As of June 30, 2021 and 2022*

	2021	2022
<i>Current Assets</i>	5,963,683	5,092,264
<i>Capital Assets</i>	5,963,683	11,669,569
<i>Other Non-Current Assets</i>	0	220,695
<i>Total Assets</i>	12,470,293	16,982,528
<i>Deferred Outflows of Resources</i>	3,091,499	2,634,169
<i>Current Liabilities</i>	1,206,254	1,493,442
<i>Non-Current Liabilities</i>	15,701,313	17,590,790
<i>Total Liabilities</i>	16,907,567	19,084,232
<i>Deferred Inflows of Resources</i>	371,855	2,049,325
<i>Restricted Student funds</i>	65,761	65,513
<i>Restricted by Creditors</i>	1,000,000	1,019,156
<i>Restricted by Donors</i>	0	16,974
<i>Invested in Capital Assets Net of Related Debt</i>	5,186,143	6,191,561
<i>Unrestricted (deficit)</i>	(7,969,534)	(8,810,064)
<i>Total Net position (deficit)</i>	(1,717,630)	(1,516,860)

The Sugar Valley Rural Charter School continues to exhibit a healthy financial picture due to stable enrollment and careful planning and spending. Increases in capital assets include 5,314,627 representing the completion of the gymnasium and the purchase of the original school facility from the Sugar Valley Concerned Citizens. The gymnasium and the original facility were financed from use of accumulated cash, as well as financing through long term debt.

The School’s total revenues were \$9,732,310 for the year ended June 30, 2022. Tuition from the student’s home school district accounted for most of the revenue, the remainder came from federal and state programs and interest on investments.

- The federal and state governments subsidized certain programs with grants and contributions. Federal contributions were \$1,138,909 and state contributions were \$126,526.
- We received \$8,466,875 from local sources (mostly tuition from the home school districts).

The total cost of all programs and services was \$9,531,540. The School’s expenses are predominantly related to educating and caring for students.

- The cost of all governmental activities this year was \$9,179,167. The cost for business like activities was \$352,373.

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

The financial performance of the School is also reflected in its governmental fund. As the School completed the year, its governmental funds reported a fund balance of \$3,636,243. The general fund has a fund balance of \$3,660,930, the student activities fund balance is \$65,513, and the capital project fund balance is (\$90,200). The committed balance represents \$456,740 for summer payroll and benefits, and \$1,000,000 for summer operating expenses. Restricted funds are \$1,019,156 for Mortgage retainer (this is restricted by the bank for our Gym Project), \$16,974 for staffing of the weight room for public use and \$65,513 for student activities. The SVRCS Board uncommitted the remaining funds for Summer Payroll, Summer Operating expenses, and Capital Acquisitions on 12/20/22.

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

Revenues for the School's governmental funds was \$9,283,462 (\$9,196,740 in 2021) while total expenses were \$14,308,631 (\$12,665,473 in 2021). Most of the difference in expenses is seen in the Capital Projects fund.

In the governmental funds, revenues that are measurable but not available within 60 days of year end, are recorded as deferred inflows.

Total governmental funds revenues increased by \$86,722 from the previous year. Tuition is based on average money spent per student in the Home School District. There was a slight decrease in tuition rates in 2021-2022. We had a small decrease in number of students in 2021-2022 compared to 2020-2021

Total governmental funds expenditures increased by \$1,643,158 from the previous year. This increase is primarily due to increased spending in the Capital Projects fund representing completion of the new gymnasium and purchase of real property representing the original school complex. There was borrowing of \$5,394,826 to finance these projects.

In fiscal ending June 30, 2022 salaries increased a minimum of 2% of the base pay for staff retained from the previous year. The School continues to look at various cost containment measures to minimize the effect rising health insurance premiums have on the costs of the school's employee compensation packages.

General Fund Budgetary Highlights

As a charter school, we need to prepare our budget months before the sending school district is required to complete their updated tuition rates, therefore the best estimate of the tuition from the

SUGAR VALLEY RURAL CHARTER SCHOOL

Management Discussion and Analysis Year Ended June 30, 2022

sending school district is to use the current year's information. Generally, there is an increase in tuition rates from one school year to the next.

- Actual revenues were \$333,300 more than expected.
- The actual expenditures were \$52,875 less than budget.

Proprietary Fund

Proprietary funds are established in the School to account for goods and services provided to the student body and staff. The food service fund is the enterprise fund of the school. Although the revenues of the cafeteria should not materially exceed its expenditures, changes in funding levels in 2021-22 resulted in food service fund revenues exceeding expenses by \$122,397. The resulting excess cash balance at June 30, 2022, will be expended for food service activities in the coming years. At June 30, 2022 the food service fund had an accumulated deficit of (\$138,518) and net investment in fixed assets of \$46,226, for total Net Position deficit of (\$92,292).

Capital Assets, Construction Commitments, and Long Term Debt

By the end of 2021-2022 the School had invested \$12,981,412 in a broad range of capital assets, including the new gymnasium complex, the original school complex, computer and audio-visual equipment, site and building improvement, playground equipment, furniture and equipment for the students and staff. The school also had \$427,920 in assets not being depreciated (Land and Assets not yet placed in service). Total depreciation expense for the year was \$366,296. Accumulated Depreciation at June 30, 2022 was \$1,739,763.

FACTORS BEARING ON THE SCHOOL'S FUTURE

Our future funding is dependent on student tuition from school districts and from grant awards. Our enrollment rate has remained stable over the last several years. If we see a decline, we will adjust our spending to reflect changes in revenues. We continue to investigate grant opportunities. We are committed to providing a rewarding working environment for our employees while supplying our students with an effective learning experience.

The School has put into place enrollment caps by grade level and a lottery system for those grades that are at capacity. We currently have no openings, if a student leaves, we replace with a student from our waiting list.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customer, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Business Office, Sugar Valley Rural Charter School, 236 East Main Street, Loganton, PA 17747.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT A

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Elimination of Internal Balances	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	3,215,809	171,870	-	3,387,679
Cash and Cash Equivalents - restricted	1,101,643	-	-	1,101,643
Internal Balances	3,530	-	(3,530)	-
Due from Other Governments	23,084	-	-	23,084
State Revenue Receivable	-	64	-	64
Federal Revenue Receivable	506,950	1,981	-	508,931
Inventories	-	5,247	-	5,247
Current Prepayments and Other Current Assets	63,424	2,192	-	65,616
Total Current Assets	4,914,440	181,354	(3,530)	5,092,264
Noncurrent Assets:				
Noncurrent Prepayments	220,695	-	-	220,695
Fixed Assets:				
Assets Not Yet Placed in Service	12,563	-	-	12,563
Land	415,357	-	-	415,357
Net Depreciable Assets	11,195,423	46,226	-	11,241,649
Total Fixed Assets	11,623,343	46,226	-	11,669,569
Total Noncurrent Assets	11,844,038	46,226	-	11,890,264
Total Assets	16,758,478	227,580	(3,530)	16,982,528
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pension Benefits	2,220,817	52,514	-	2,273,331
Related to Other Post Employment Benefits	352,100	8,738	-	360,838
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,572,917	61,252	-	2,634,169
LIABILITIES				
Current Liabilities:				
Accounts Payable	174,057	1,483	-	175,540
Accrued Salaries and Benefits	543,260	-	-	543,260
Payroll Withholding and Benefits	423,976	-	-	423,976
Internal Balances	-	3,530	(3,530)	-
Unearned Revenue	26,983	17,145	-	44,128
Other Current Liabilities	48,475	4,278	-	52,753
Current Portion of Long Term Debt	253,785	-	-	253,785
Total Current Liabilities	1,470,536	26,436	(3,530)	1,493,442
Noncurrent Liabilities:				
Loans Payable	5,224,223	-	-	5,224,223
Net Pension Liability	10,534,097	263,903	-	10,798,000
Net Liability for Other Post Employment Benefits	1,527,860	40,707	-	1,568,567
Total Noncurrent Liabilities	17,286,180	304,610	-	17,590,790
Total Liabilities	18,756,716	331,046	(3,530)	19,084,232
DEFERRED INFLOWS OF RESOURCES				
Related to Pension Benefits	1,814,542	45,458	-	1,860,000
Related to Other Post Employment Benefits	184,705	4,620	-	189,325
Total Deferred Inflows of Resources	1,999,247	50,078	-	2,049,325
NET POSITION				
Invested in Capital Assets, Net Related Debt	6,145,335	46,226	-	6,191,561
Restricted	1,101,643	-	-	1,101,643
Unrestricted deficit	(8,671,546)	(138,518)	-	(8,810,064)
Total Net Position	(1,424,568)	(92,292)	-	(1,516,860)

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT B

Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Depreciation - Unallocated	357,916	-	-	-	(357,916)	-	(357,916)
Instruction	5,400,852	-	5,535,211	-	134,359	-	134,359
Support Services							
Student and Instructional Staff Support	674,064	-	692,658	-	18,594	-	18,594
Health Services	253,917	-	259,449	-	5,532	-	5,532
Administration and Business Services	970,694	-	999,008	-	28,314	-	28,314
Operation and Maintenance of Plant	622,398	-	640,532	-	18,134	-	18,134
Pupil Transportation	54,661	-	56,243	-	1,582	-	1,582
Central Services	472,660	-	485,809	-	13,149	-	13,149
Non-Instructional Services							
Student Activities	189,074	4,343	188,276	-	3,545	-	3,545
Facilities Acquisition	22,855	-	22,911	-	56	-	56
Interest Expense	160,076	-	164,745	-	4,669	-	4,669
Total Governmental Activities	9,179,167	4,343	9,044,842	-	(129,982)	-	(129,982)
Business-Type Activities:							
Food Services	355,992	39,079	439,310	-	-	122,397	122,397
Total	9,535,159	43,422	9,484,152	-	(129,982)	122,397	(7,585)
General Revenues:							
Loss on Disposal of Assets					(2,866)	-	(2,866)
Investment Earnings					69,067	-	69,067
Donations					20,000	-	20,000
Miscellaneous Income/(Loss)					122,154	-	122,154
Total General Revenues					208,355	-	208,355
Net Change in Net Position					78,373	122,397	200,770
Net Position - Beginning					(1,502,941)	(214,689)	(1,717,630)
Net Position - Ending					(1,424,568)	(92,292)	(1,516,860)

The accompanying notes are an integral part of these financial statements.

Sugar Valley Rural Charter School

EXHIBIT C

Balance Sheet
Governmental Funds
June 30, 2022

	<u>General Fund</u>	<u>Student Activities Fund</u>	<u>Capital Projects Fund #39</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	3,215,809		-	3,215,809
Cash and Cash Equivalents - restricted	1,036,130	65,513	-	1,101,643
Due from Other Governments	23,084	-	-	23,084
State Revenue Receivable	-	-	-	-
Federal Revenue Receivable	506,950	-	-	506,950
Due from Other Funds	3,530	-	-	3,530
TOTAL ASSETS	<u>4,785,503</u>	<u>65,513</u>	<u>-</u>	<u>4,851,016</u>
<u>LIABILITIES</u>				
Accounts Payable	83,858	-	90,200	174,058
Accrued Salaries and Benefits	543,260	-	-	543,260
Employee Withholdings and Benefits Payable	423,976	-	-	423,976
Unearned Revenues	26,983	-	-	26,983
Other Current Liabilities	43,918	-	-	43,918
TOTAL LIABILITIES	<u>1,121,995</u>	<u>-</u>	<u>90,200</u>	<u>1,212,195</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Revenues That Are Measurable But Not Available	2,578	-	-	2,578
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,578</u>	<u>-</u>	<u>-</u>	<u>2,578</u>
<u>FUND BALANCES</u>				
Restricted	1,036,130	65,513	-	1,101,643
Committed	1,456,740	-	-	1,456,740
Unassigned	1,168,060	-	(90,200)	1,077,860
TOTAL FUND BALANCES	<u>3,660,930</u>	<u>65,513</u>	<u>(90,200)</u>	<u>3,636,243</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>4,785,503</u>	<u>65,513</u>	<u>-</u>	<u>4,851,016</u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT D

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Total Fund Balances - Governmental Funds	3,636,243
Prepayments of expenses are recognized as expenses in the governmental funds but are recognized as assets in the full accrual statement of net position	284,119
Amounts that are received after the period of availability (60 days) are not recognized as revenue in the governmental fund statements, but are recognized as revenue in the full accrual statement of net position	2,578
Net capital assets are not recorded in the governmental fund statements but are recorded in the full accrual statement of net position	11,623,343
Accrued Interest is not recorded in the governmental fund statements but is recorded in the full accrual statement of net position	(4,557)
Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental fund statements, but are recorded in the full accrual statement of net position	
Long-term liabilities at year end consist of:	
Loans Payable	(5,478,008)
Net Liability for Pension Benefits	(10,534,097)
Net Liability for Other Post Employment Benefits	(1,527,860)
Deferred Outflows of Resources are not recorded in the governmental fund statements, but recorded in the full accrual statement of net position	
Related to Pension Benefits	2,220,818
Related to Other Post Employment Benefits	352,100
Deferred Inflows of Resources are not recorded in the governmental fund statements, but recorded in the full accrual statement of net position	
Related to Pension Benefits	(1,814,542)
Related to Other Post Employment Benefits	(184,705)
Total Net Position - Governmental Activities	<u><u>(1,424,568)</u></u>

The accompanying notes are an integral part of these financial statements.

Sugar Valley Rural Charter School

EXHIBIT E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Student Activities Fund</u>	<u>Capital Projects Fund #39</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources	8,385,168	67,548	-	8,452,716
State Sources	114,522	-	-	114,522
Federal Sources	716,224	-	-	716,224
TOTAL REVENUES	9,215,914	67,548	-	9,283,462
EXPENDITURES				
Instruction	5,677,312	-	-	5,677,312
Support Services	3,071,919	-	-	3,071,919
Non-Instructional Services	148,538	67,796	-	216,334
Facilities Acquisitions and Planning Services	28,439	-	5,314,627	5,343,066
TOTAL EXPENDITURES	8,926,208	67,796	5,314,627	14,308,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	289,706	(248)	(5,314,627)	(5,025,169)
OTHER FINANCING SOURCES (USES)				
Advances Under Construction Loan	-	-	3,050,056	3,050,056
Advances Under Seller Financed Mortgage Loan	-	-	2,344,770	2,344,770
Debt Service Construction Loan	(128,804)	-	-	(128,804)
Debt Service Seller Financed Mortgage Loan	(1,264,000)	-	-	(1,264,000)
Transfers Between Governmental Funds	(34,030)	-	34,030	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,426,834)	-	5,428,856	4,002,022
NET CHANGE IN FUND BALANCES	(1,137,128)	(248)	114,229	(1,023,147)
FUND BALANCE - BEGINNING	4,798,058	65,761	(204,429)	4,659,390
FUND BALANCE - ENDING	<u>3,660,930</u>	<u>65,513</u>	<u>(90,200)</u>	<u>3,636,243</u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT F

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2022

Net Change In Fund Balances - Governmental Funds	(1,023,147)
Amounts that are expensed in the fund statements that represent prepayments are recorded on the full accrual basis in the statements of net position and activities. This reconciling item represents a increase in prepaid expense, as compared to the prior year.	239,845
Amounts that are received after the period of availability (60 days) are not recognized as revenue in the governmental fund statements, but are recognized as revenue in the full accrual statement of net position. This is the amount by which such amounts decreased, as compared to the prior year.	(23,057)
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, the costs of those assets are allocated over estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation and the net book value of assets disposed of during the year.	5,163,083
Long-term liabilities that are not due and payable in the current period are not reported as liabilities in the governmental fund statements. These reconciling items represent the decrease(increase) in these accounts as compared to the prior year.	
Loans Payable	(4,157,541)
Accrued Interest Payable	(4,557)
Net Pension Liability	2,002,825
Net Liability for Other Post Employment Benefits	(37,557)
Deferred Outflows of Resources are not recorded in the governmental fund statements. These reconciling items represent the increase/(decrease) in these accounts as compared to the prior year.	
Related to Pension Benefits	(460,501)
Related to Other Post Employment Benefits	15,458
Deferred Inflows of Resources are not recorded in the governmental fund statements. These reconciling items represent the increase in these accounts as compared to the year.	
Related to Pension Benefits	(1,514,070)
Related to Other Post Employment Benefits	(122,408)
Change In Net Position - Governmental Activities	<u><u>78,373</u></u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT G

Statement of Net Position

Proprietary Fund

June 30, 2022

	Food Service Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	171,870
State Receivables	64
Federal Receivables	1,981
Inventories	5,247
Other Current Assets	<u>2,192</u>
Total Current Assets	<u>181,354</u>
Noncurrent Assets:	
Furniture and Equipment (Net of Accumulated Depreciation)	<u>46,226</u>
Total Noncurrent Assets	<u>46,226</u>
Total Assets	<u><u>227,580</u></u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Pension Benefits	52,514
Related to Other Post Employment Benefits	<u>8,738</u>
Total Deferred Outflows of Resources	<u><u>61,252</u></u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	1,483
Due to Other Funds	3,530
Unearned Grant Revenue	17,145
Other Current Liabilities (Advance Sales)	<u>4,278</u>
Total Current Liabilities	<u>26,436</u>
Noncurrent Liabilities:	
Net Pension Liability	263,903
Net Liability for Other Post Employment Benefits	<u>40,707</u>
Total Noncurrent Liabilities	<u>304,610</u>
Total Liabilities	<u><u>331,046</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Pension Benefits	45,458
Related to Other Post Employment Benefits	<u>4,620</u>
Total Deferred Inflows of Resources	<u><u>50,078</u></u>
<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	46,226
Unrestricted	<u>(138,518)</u>
Total Net Position	<u><u>(92,292)</u></u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT H

Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2022

	Food Service Fund
<u>OPERATING REVENUES</u>	
Food Service Revenue	39,079
Total Operating Revenues	<u>39,079</u>
<u>OPERATING EXPENSES</u>	
Salaries	96,626
Employee Benefits	76,621
Purchased Professional Services	925
Purchased Property Services	2,340
Advertising	34
Supplies	170,325
Depreciation	9,121
Total Operating Expenses	<u>355,992</u>
Operating Loss	<u>(316,913)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	1,002
State Sources	12,004
Federal Sources	426,304
Total Non-Operating Revenues	<u>439,310</u>
Income Before Contributions and Transfers	122,397
<u>CONTRIBUTIONS AND TRANSFERS</u>	-
Change in Net Position	122,397
Net Position - Beginning	(214,689)
Net Position - Ending	<u><u>(92,292)</u></u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT I, page 1 of 2

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	Food Service Fund
<u>CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES</u>	
Cash Received from Users	38,177
Cash Payments for Employee Services and Benefits	(168,980)
Cash Payments for Goods and Services	<u>(136,084)</u>
Net Cash (Used) by Operating Activities	(266,887)
<u>CASH FLOWS PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</u>	
State Subsidies	12,312
Federal Subsidies	<u>403,645</u>
Net Cash Provided By Non-Capital Financing Activities	415,957
<u>CASH FLOWS (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	(8,997)
<u>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</u>	
Investment Earnings	<u>1,002</u>
Net Increase in Cash and Cash Equivalents	141,075
Cash and Cash Equivalents - Beginning	<u>30,795</u>
Cash and Cash Equivalents - Ending	<u><u>171,870</u></u>
 Non-Cash Non-Capital Financing Activities	
Revenue Representing Donated Commodities	29,582

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT I, page 2 of 2

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

	<u>Food Service Fund</u>
<u>Reconciliation of Operating Loss to Net Cash Provided By Operating Activities</u>	
Operating Loss	(316,913)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities	
Depreciation	9,121
Non-Cash Value of Commodities Used	29,582
(Increase)/Decrease in Purchased Inventories	(1,575)
(Increase)/Decrease in Other Receivables	146
(Increase)/Decrease in Prepaid Expenses	(2,192)
Increase/(Decrease) in Interfund Payables	(3,795)
Increase/(Decrease) in Accounts Payable	1,483
Increase/(Decrease) in Other Current Liabilities (Advanced Sales)	(902)
Increase/(Decrease) in Unearned Grant Revenue	13,891
Increase/(Decrease) in Net Pension/OPEB Liabilities and Deferred Inflows/Outflows of Resources	<u>4,267</u>
Net Cash Provided By Operating Activities	<u><u>(266,887)</u></u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT J

Statement of Net Position
Fiduciary Funds
June 30, 2022

	<u>Private Purpose Trust</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	-
Accounts Receivable	182
Total Assets	<u>182</u>
<u>LIABILITIES</u>	
Total Liabilities	<u>-</u>
<u>NET POSITION</u>	
Restricted	182
Total Net Position	<u>182</u>

The accompanying notes are an integral part of these financial statements.

SUGAR VALLEY RURAL CHARTER SCHOOL

EXHIBIT K

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	<u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
Gifts and Contributions	-
<u>DEDUCTIONS</u>	
Awards	<u>100</u>
Change in Net Position	(100)
Net Position - Beginning	<u>282</u>
Net Position - Ending	<u><u>182</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Use of Governmental Accounting Standards, Adoption of New Standards

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

Effective July 1, 2021, the School adopted the guidance of *GASB Statement No. 87 - Leases*. No restatements of fund balance or net positions resulted from implementing this standard, as the School had no long-term leases on July 1, 2021. *GASB Statement No. 96 - Subscription-Based Information Technology Arrangements* will become effective for periods beginning after June 15, 2022. The School has not yet evaluated how this Statement might impact the School's financial reporting.

B. Reporting Entity

The reporting entity has been defined in accordance with requirements of the Governmental Accounting Standards Board (GASB). The GASB criteria for evaluating whether other entities should be included as component units in the School's financial statements include legal status, financial accountability, fiscal dependency, and nature and significance of the relationship with the School. School management identified no other entities that should be included as component units given these criteria.

C. Basis of Presentation

The School's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School as a whole. These statements include all the financial activities of the School, except for fiduciary funds. The statements distinguish between those activities of the School 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 at year-end. The statement of activities presents a comparison between functional expenses and program revenues for each function of the School's activities. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School.

Functional expenses represent direct expenses that are specifically associated with a function. The School has no indirect expenses allocated between functions. Program revenues include tuition from neighboring districts for enrolled students. This revenue is allocated proportionally to functional expenses in the government-wide financial statements. Program revenue also includes substantially all grant revenues. These grant revenues are allocated to the function or functions that each grant supports.

Revenues which are not classified as program revenues are presented as general revenues of the School.

Fund Financial Statements During the year, the School segregates transactions related to certain School 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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The School uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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 plus deferred outflows and liabilities plus deferred inflows is reported as fund balance. The School's governmental funds are –

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

Capital Project Fund Type 39 The capital project fund accounts for financial resources that are restricted, committed or assigned to expenditures for capital outlays. The capital project fund was created in the fiscal year 2020-21 to record expenses for construction of a gymnasium. The construction is funded by transfers into the capital project fund from the general fund and by proceeds drawn on a construction loan. The gym project was completed in 2022. In the year 2021-22, the capital project fund was also used to account for the acquisition of real property, and related funding by seller financing debt. The capital project fund is a major fund.

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

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

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School's major, and only, enterprise fund is –

Food Service Fund This fund accounts for the financial transactions related to the food service operations of the School. The food service provides meals and snacks to students and staff. They can also provide food service for other events under School sponsorship.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The School has one fiduciary fund – a private-purpose trust fund. The private-purpose trust fund is held by the School to provide an award to graduating students and is, therefore, not available to support the School's own programs.

E. Measurement Focus and Basis of Accounting

Economic Resources Measurement Focus and Accrual Basis of Accounting The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements.

In the accrual basis of accounting, revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues from non-exchange transactions are recognized as follows:

- Tuition revenue from a student's resident District is recognized in the period in which the student attends the School.
- Grants which are expenditure-driven are recognized as revenue when the specified reimbursable expense is incurred, provided any other eligibility criteria have also been met. Any amounts that have been received, but not expended by year end, are recorded as unearned revenues.
- Grants and donations which are not expenditure-driven are recognized as revenue when the applicable recognition criteria have been met. Any amounts that remain unused at year end are recorded as restricted fund net assets.

Expenses are generally recognized when liabilities are incurred. However, when payments are made for insurance or subscriptions that span over two or more of the School's fiscal years, prepaid assets are recognized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In the modified accrual basis of accounting, revenues are recognized as outlined above, but with the added criteria that revenues should only be recognized when both measurable and available to finance expenditures of the fiscal period.

The School has defined that revenues are “available” if received within 60 days of year end. However, the School has noted that revenues from expenditure-driven grants are generally available for collection soon after the related expenditures are incurred. As a matter of practicality and consistency, the School has decided to consider all such expenditure-driven grant revenue as available when the related expenditure has been incurred, provided any other eligibility criteria have also been met.

Revenues that are measurable, but do not meet the definition of “available” are recorded as deferred inflows of resources.

Expenditures generally are recorded when a liability is incurred.

F. Classification and Uses of Net Position and of Fund Balances

Net Position In the Government-wide financial statements, in the Proprietary fund statements, and in the fiduciary fund, net position may be classified as

- Restricted – This classification includes amounts when constraints on the uses of resources are imposed by external entities (grantors, contributors, creditors) or by law.
- Investment in Capital Assets – This classification represents the School’s investment in fixed assets, net of related accumulated depreciation. If there is outstanding debt related to the acquisition of these assets, the amount presented is also net of that debt.
- Unrestricted- This classification represents any remaining positive or deficit net position.

The School’s policy is to first apply restricted resources, rather than unrestricted resources, when an expense is incurred for purposes for which both restricted and unrestricted net position, are available.

Fund Balance In Governmental Fund statements, fund balance may be classified as

- Unspendable – This classification includes amounts that cannot be spent because they are either not in spendable form (inventories, prepayments, etc.) or are legally required to be maintained intact.
- Restricted – This classification includes amounts when constraints on the uses of resources are imposed by external entities (grantors, contributors, creditors) or by law.
- Committed – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by actions of the Board, which holds the highest level of decision making authority. Committed fund balances are created by action of the Board and can also be removed by action of the Board. At June 30, the School had committed fund balance for summer payroll costs of \$ 456,740, and summer operating costs of \$1,000,000.
- Assigned – This classification includes amounts that are constrained by the School’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by a committee or individual who has been granted authority, by the Board, to assign funds. The Finance committee has been granted authority to assign fund balance.
- Unassigned – Unassigned fund balance is the residual classification for the general fund.

The School’s policy is to first apply restricted resources, rather than committed, assigned or unassigned fund balance when an expense is incurred for purposes for which both restricted and committed, assigned or unassigned fund balances are available.

In regard to use of committed, assigned and unassigned fund balance amounts, the School considers that committed amounts would be reduced first, followed by assigned amounts and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Activity

The General Fund makes certain payments on behalf of the Food Service Fund and the Food Service Fund periodically reimburses the General Fund. This practice may give rise to amounts outstanding at year end which are referred to as “dueto/dueto from” other funds in the fund statements. In the government-wide financial statements, balances outstanding between governmental activities and business-type activities are reported as “internal balances”, and are eliminated in the government-wide total.

I. Inventories

The School inventory consists of Food Service Fund food and supplies. The purchased inventory is valued at cost. Donated inventory received through the Pennsylvania Department of Agriculture is valued at rates provided by that Department. These values are representative of market values. FIFO (first-in, first-out) methods are applied to inventory valuation.

J. Prepaid Expenses

Prepaid expenses are recognized in the government-wide statements, and proprietary fund statements. However, in the governmental fund statements prepayments are not recognized; rather, they are accounted for as expenditures in the period of acquisition.

Prepaid expenses include insurance contracts that cover periods spanning the School’s June 30, year end. Prepaid expenses also include several years of advance payments for subscription to educational software and supplies. Prepayments that expire within one year are recorded as current assets, while those expiring after one year are recorded as noncurrent assets.

K. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary fund statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The school also capitalizes all stationary computers and networking equipment.

The costs of normal maintenance and repairs that do not add to the value of the asset, change the assets functionality, or materially extend asset lives are not capitalized.

All capital assets reported as used in governmental activities are depreciated using the straight-line method over the following estimated useful lives –

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5-30
Site Improvements	7-20
Furniture and Equipment	5-20
Vehicles	5-8

Proprietary funds equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5-15 years.

L. Long-term Obligations

Long-term debt obligations, as well as pension and other postemployment benefit obligations are reported as liabilities in the applicable governmental and business-type activities columns of the government-wide financial statements, and in the proprietary fund statements. The School has no long-term leases to report. In addition, the government-wide financial statements, and proprietary fund types, also include recognition of deferred outflows and inflows associated with these long-term obligations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Estimates

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

N. Definition of Operating Income

The School's only proprietary fund is its food service fund. Subsidies are received from federal and state sources for breakfasts and lunches that are available to all students. Students may purchase additional items that are not included in the defined meals. Meals may also be purchased by staff.

The School defines amounts received from federal and state sources as non-operating income. Revenues received from individuals or for school functions are defined as operating revenue.

O. Statement of Cash Flows

For purposes of the statement of cash flows, the School considers any highly liquid financial instruments with an original maturity from the time of acquisition by the School of three months or less to be cash equivalents.

P. Income Taxes

The School is exempt from federal income taxes under Code Section 501(c) (3) of the Internal Revenue Code. In addition, the School qualifies for charitable deductions under Internal Revenue Code Section 170(b) (1) (A) and is not a private foundation. Federal filings for 2019 and forward are open to examination.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

The School is permitted to deposit and invest its money in accordance with Section 440.1 of the Public School Code of 1949, as amended, and in accordance with Act 10 of March 25, 2016.

The deposit and investment policy of the School adheres to state statutes and prudent business practices.

All financial assets of the School were bank deposits in the year 2021-22.

Deposits with Banks

GASB standards require that the School disclose information about risks associated with its deposits. Deposits with financial institutions are exposed to the following risk –

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a depository bank failure, the School's deposits might not be recovered. The School's policy is to mitigate this risk by requiring each depository to furnish proper security for deposits in accordance with law. As of June 30, 2022, the carrying amount of the School's deposits was \$ 4,489,322, and the bank balance was \$ 4,525,209. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining bank balance of \$ 4,275,209 was exposed to custodial credit risk as these deposits were not covered by depository insurance. To mitigate this risk, the depository bank has pledged securities in accordance with Pennsylvania Act 72. The bank's pledged securities are held as a pool securing all public funds on deposit, rather than being held in the School's name.

Cash and cash equivalents reported on the financial statements represent –

General Fund	4,251,939
Student Activities Fund	65,513
Capital Project Fund	-
Proprietary Fund	<u>171,870</u>
Total Cash and Cash Equivalents	<u><u>4,489,322</u></u>

NOTES TO FINANCIAL STATEMENTS

PAGE 6

NOTE 3 ACCOUNTS RECEIVABLE

Amounts due from other governments represent receivables due from local school districts for tuition revenues. Amounts are also due from federal and state sources for grants. The School's management believes these receivables are fully collectable and has not established an allowance for doubtful accounts.

The School establishes a food service account for each student. These accounts are generally pre-funded by parents. There were no overdrawn student accounts as of June 30, 2022.

NOTE 4 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows –

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	280,357	135,000		415,357
Assets not yet placed in service	4,655,789	12,563	(4,655,789)	12,563
<i>Capital Assets Being Depreciated -</i>				
Buildings and Improvements	1,832,182	9,684,953	(82,137)	11,434,998
Site Improvements	164,802	12,540	(1,150)	176,192
Furniture and Equipment	775,845	334,598	(112,140)	998,303
Vehicles	259,967	-	-	259,967
Total Assets Being Depreciated	<u>3,032,796</u>	<u>10,032,091</u>	<u>(195,427)</u>	<u>12,869,460</u>
Total Assets	<u>7,968,942</u>	<u>10,179,654</u>	<u>(4,851,216)</u>	<u>13,297,380</u>
Less Accumulated Depreciation For -				
Buildings and Improvements	654,511	246,080	(80,376)	820,215
Site Improvements	144,576	5,201	(1,088)	148,689
Furniture and Equipment	537,389	82,875	(111,097)	509,167
Vehicles	172,206	23,760	-	195,966
Total Accumulated Depreciation	<u>1,508,682</u>	<u>357,916</u>	<u>(192,561)</u>	<u>1,674,037</u>
Total Capital Assets Being Depreciated, Net	<u>1,524,114</u>	<u>9,674,175</u>	<u>(2,866)</u>	<u>11,195,423</u>
Governmental Activities Capital Assets, Net	<u>6,460,260</u>	<u>9,821,738</u>	<u>(4,658,655)</u>	<u>11,623,343</u>
Business-Type Activities				
<i>Capital Assets Being Depreciated -</i>				
Equipment	102,955	8,997	-	111,952
Less Accumulated Depreciation For - Equipment	<u>(56,605)</u>	<u>(9,121)</u>	<u>-</u>	<u>(65,726)</u>
Business-Type Activities Capital Assets, Net			<u>-</u>	<u>46,226</u>
Depreciation Expense was reported as follows:				
Governmental Activities				
Unallocated activities				<u>357,916</u>
Business-Type Activities				
Food Service Fund				<u>9,121</u>

The School has identified idle equipment included in governmental activities with original cost of \$ 21,656 and net book value of \$ 5,079.

The school has entered into a contract for major improvements to certain HVAC systems of the school. The work, which at June 30, 2022 was contracted for at \$405,000 will begin in July and August of 2022.

Note 5 LONG-TERM DEBT

The following summarizes borrowing activity for the year ended June 30, 2022 –

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities -				
Bank Loan	1,320,467	3,050,056	-	4,370,523
Seller Financing Loan	-	2,344,770	1,237,285	1,107,485
Total Long-Term Debt	<u>1,320,467</u>	<u>5,394,826</u>	<u>1,237,285</u>	<u>5,478,008</u>

Bank Loan

In March of 2021, the School entered into a debt agreement with Jersey Shore State Bank. The Bank made up to \$5,000,000 available to the School for construction of a gymnasium. The balance on June 30, 2022 was \$4,370,523.

The note requires payment of interest only through March 24, 2023, and payments of interest and principal thereafter through March 24, 2053. Interest rates are fixed at 3.75 percent through March 24, 2028, and are variable thereafter. The variable rate is plus 0.5 percent over the Wall Street Journal U.S. Prime Rate, which is 4.75 as of June 30, 2022. Variable rates, other than default rates, are capped at 10%.

The note contains provisions that in an event of default, outstanding amounts become immediately due, and an additional default interest rate of 4% will apply.

The note includes a prepayment penalty whereby the Bank is entitled to assess a penalty of 2% of the loan balance at the time the prepayment is made.

The debt service requirements schedule below is based on the fixed rate 3.75% through March 24, 2028, a variable rate of 5.25% thereafter, and on the balance advanced to June 30, 2022.

The note is secured by a mortgage on real property and by assignment of a deposit account with a balance of \$1,019,156.

Seller Financing Loan

On September 30, 2022 the School purchased real property and entered into a debt agreement with the seller, borrowing \$2,344,770. The note required payment of \$66,000 on September 30, 2022, a payment of \$1,000,000 on October 15, 2022, and monthly payments starting October 15, 2022 as follows: 21 payments \$22,000; 24 payments of \$17,000; 24 payments of \$10,700; 35 payments of \$8,200 and a final payment of \$60. The interest rate is fixed at 3%.

The loan is secured by a mortgage on the property.

Debt Service Requirements

Debt service requirements are as follows:

Year Ended	Bank Loan		Seller Financing Loan		Total Requirements
	Principal	Interest	Principal	Interest	
<u>June 30</u>					
2023	\$ 19,810	\$ 163,833	\$ 233,975	\$ 30,025	\$ 447,643
2024	\$ 81,119	\$ 161,767	\$ 180,260	\$ 23,740	\$ 446,886
2025	\$ 84,214	\$ 158,672	\$ 185,743	\$ 18,257	\$ 446,886
2026	\$ 87,426	\$ 155,459	\$ 114,744	\$ 13,656	\$ 371,285
2027	\$ 90,762	\$ 152,124	\$ 118,234	\$ 10,166	\$ 371,286
2028-2032	\$ 414,306	\$ 948,544	\$ 274,529	\$ 12,531	\$ 1,649,910
2033-2037	\$ 543,895	\$ 841,789	-	-	\$ 1,385,684
2038-2042	\$ 720,623	\$ 665,061	-	-	\$ 1,385,684
2043-2047	\$ 933,735	\$ 451,949	-	-	\$ 1,385,684
2048-2052	\$ 1,190,722	\$ 194,962	-	-	\$ 1,385,684
2053	\$ 203,911	\$ 3,942	-	-	\$ 207,853
	<u>\$ 4,370,523</u>	<u>\$ 3,898,102</u>	<u>\$ 1,107,485</u>	<u>\$ 108,375</u>	<u>\$ 9,484,485</u>

NOTES TO FINANCIAL STATEMENTS

PAGE 8

NOTE 6 LEASE OBLIGATIONS

The School had leased a significant portion of its facilities from Sugar Valley Concerned Citizens (a non-profit organization). The School purchased this property this year and the lease terminated on July 15, 2021.

NOTE 7 COMPENSATED ABSENCES

The School pays employees for any unused vacation or other leave before each year end. Therefore, the School had no liabilities for compensated absences as of June 30, 2022.

NOTE 8 RESTRICTED NET POSITION AND FUND BALANCES

Net position of governmental activities and fund balances of governmental funds are restricted as follows –

Restricted by Bank Creditors – Assignment of Deposit Account	\$1,019,156
Restricted for Student Activities	\$ 65,513
Restricted by Donors	\$ 16,974
Total Restricted	\$1,101,643

NOTE 9 PENSION PLAN

General Information about the Public School Employees' Retirement System (PSERS)

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 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.

Measurement of financial information

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 PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. 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 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

NOTE 9 PENSION PLAN (Continued)

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

Contributions

Member Contributions:

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

<u>Member Contribution Rates</u>				
Membership Class	Continuous Employment Since	Defined	Defined	Total
		Benefit (DB) Contribution Rate	(DC) Contribution Rate	
T-C	Prior to 7/22/1983	5.25%	NA	5.25%
T-C	On or after 7/22/1983	6.25%	NA	6.25%
T-D	Prior to 7/22/1983	6.50%	NA	6.50%
T-D	On or after 7/22/1983	7.5% *	NA	7.50%
T-E	On or after 7/1/2011	7.5% *	NA	7.50%
T-F	On or after 7/1/2011	10.3% *	NA	10.30%
T-G	On or after 7/1/2019	5.5% *	2.75%	8.25%
T-H	On or after 7/1/2019	4.5% *	3.00%	7.50%
DC	On or after 7/1/2019	NA	7.50%	8%

* base rate with shared risk provision

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

Employer Contributions:

The School's' contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.14% 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 School were \$1,360,485 for the year ended June 30, 2022.

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

NOTE 9 PENSION PLAN (Continued)

At June 30, 2022, the School reported a liability of \$ 10,798,000 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 School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions, using contributions made in 2021. The School's proportion was .0263 percent, which was an increase of .0002 percent from its proportion measured in the prior year.

For the year ended June 30, 2022, the School recognized pension expense of \$ 1,332,635. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	8,000	(142,000)
Changes in Assumptions	524,000	-
Net difference between projected and actual investment earnings		(1,718,000)
Changes in Proportion	381,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	1,360,331	-
	<u>2,273,331</u>	<u>(1,860,000)</u>

The amount of \$ 1,360,331 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the school year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

School Year Ended June 30:	
2023	(94,000)
2024	(114,000)
2025	(185,000)
2026	(554,000)
	<u>(947,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability at 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 of 2.50%.
- 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 Mortality 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.

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 period ended June 30, 2020.

NOTE 9 PENSION PLAN (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	<u>100%</u>	

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

Discount rate

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

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

The following presents the 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:

	Current Discount	
1% Decrease	Rate	1% Increase
<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
14,173,000	10,798,000	7,951,000

Additional information about the Plan's fiduciary net position

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

NOTE 10 OTHER POST EMPLOYMENT BENEFITS – (OPEB)

PSERS provides both pension benefits, as described above, and OPEB benefits in the form of health insurance premium assistance (Premium Assistance). The School has also adopted its own Sugar Valley Rural Charter School Postemployment Benefit Plan which provides health insurance benefits to eligible retirees.

1. PREMIUM ASSISTANCE PROGRAM

General information about Premium Assistance:

Plan Description

PSERS provides Premium Assistance, which is a governmental cost-sharing multiple-employer other post employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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.

Measurement of financial information

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' 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.

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 (HOP). As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

Eligibility Criteria

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

- Having 24 ½ or more years of service, or
- Are a disabled 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.

Employer Contributions

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.

The School's contractually required contribution rate for the fiscal year ended June 30, 2022 was .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 Premium Assistance plan were \$31,880 for the year ended June 30, 2022.

Actuarial Assumptions

The total Premium Assistance liability as of June 30, 2021 was determined by rolling forward the System's total Premium Assistance liability as of the June 30, 2020 actuarial valuation to June 30, 2021. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015. The following actuarial assumptions applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79%- S&P 20 year Municipal Bond Rate.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

- Salary Growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement 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 Mortality 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 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 the 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 PSER's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments

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

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

Premium Assistance OPEB- Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	79.80%	0.10%
US Core Fixed Income	17.50%	0.70%
Non-US Developed Fixed	2.70%	-0.30%
	<u>100.00%</u>	0.0%

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

Discount Rate

The discount rate used to measure the total Premium Assistance 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.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

Sensitivity of the System Net OPEB liability to Change in Healthcare Cost Trends

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, 2021, 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 School's proportionate share of the net Premium Assistance OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if the health cost trends were 1- percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's proportionate share of the net Premium Assistance liability	624,000	624,000	624,000

Sensitivity of the School's proportionate share of the net Premium Assistance OPEB liability to changes in the discount rate

The following presents the School's proportionate share of the net Premium Assistance 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 1- percentage point lower (1.18%) or 1- percentage point higher (3.18%) than the current rate:

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
School's proportionate share of the net Premium Assistance liability	716,000	624,000	548,000

Premium Assistance 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.

2. SUGAR VALLEY RURAL CHARTER SCHOOL POSTEMPLOYMENT BENEFITS PLAN

Plan Description.

The Sugar Valley Charter School Postemployment Benefits Plan (the SVRCS Plan) is a single-employer defined benefit healthcare plan administered by the School. The School adopted the SVRCS Plan in February of 2016. The School has elected to pay benefits directly from School assets, rather than create and then fund a trust to provide benefits. As the SVRCS Plan has no trust, the SVRCS Plan does not have a stand-alone financial statement to present.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS - (OPEB) (Continued)

Benefits Provided

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

Members who do not meet the requirements for subsidized coverage, but do meet requirements of Act 110/43 are eligible to receive coverage for themselves, their spouse and dependents, by paying the full premium determined for the purpose of COBRA.

Coverage continues until the retiree reaches Medicare Age or age 65, whichever comes first.

Eligibility Criteria

Subsidized members must reach age 59 ½ and have 15 years of service with Sugar Valley Rural Charter School. Unsubsidized employees are eligible under Act 110/43 upon retiring with 30 years PSERS service or upon superannuation retirement.

At June 30, 2021 there were 102 active employees, no vested former participants and no retired participants.

Employer Contributions

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

Multiple Year Reporting

Pursuant to GASB No. 75, an actuarial valuation can be used over a two year period. The figures reported reflect the measurement date of June 30, 2021 for the fiscal year ended June 30, 2021 and are based on an actuarial valuation date of July 1, 2021.

Actuarial Assumptions

The following actuarial assumptions were used in calculating the School's net OPEB liability and deferred inflows and outflows of resources.

- Actuarial cost method – Entry Age Normal.
- Discount Rate – 2.28%, Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2021.
- Salary Growth - Salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Withdrawal – Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below

Age	Male Rate	Female Rate
25	3.08%	6.02%
35	1.80%	3.42%
45	1.64%	1.98%
55	4.06%	3.73%
60	6.68%	7.68%

Rates for new employees start at 27.48% for both men and women and decrease with age and service.

- Retirement – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Age	Age 55 & 25 Years of Service		Superannuation	
	Males	Females	Males	Females
55	19%	19%	27%	10%
60	14%	17%	31%	36%
65	100%	100%	100%	100%

NOTE 10 OTHER POST EMPLOYMENT BENEFITS - (OPEB) (Continued)

- Per Capita Claims Cost – The per capita claims cost for medical and prescription drug is based on the expected portion of the group’s overall cost attributed to individuals in the specified age and gender brackets. Dental and vision cost are assumed to not vary with age and gender

Age	Medical and Prescription Coverage	
	Males	Females
45-49	\$8,024	\$11,588
50-54	\$10,626	\$13,096
55-59	\$13,943	\$13,704
60-64	\$16,889	\$15,742

- Health care cost trends – 5.5% in 2021 through 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.
- Disability – No disability is assumed.
- Mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by Buck Modified 2016 projection scale to reflect mortality improvement.
- Participant Data is based on census information as of August 2021.
- Percent of Eligible Retirees Electing Coverage in the Plan:
 - 100% of retirees receiving a subsidy are assumed to elect coverage
 - 0% of retirees eligible under Act 110/43 are assumed to elect coverage

Changes in Assumptions –

The discount rate changed from 1.86% at June 30, 2020 to 2.28% at June 30, 2021

Sensitivity of the SVRCS Plan net OPEB liability to change in healthcare cost trends

The following represents the SVRCS Plan net liability for June 30, 2021, calculated using current healthcare cost trends as well as what the system net liability would be if healthcare cost trends were 1 - percentage point lower, or 1 - percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
SVRCS Plan net liability	798,728	944,567	1,122,084

Sensitivity of the School’s proportionate share of the SVRCS Plan net OPEB liability to changes in the discount rate

The following presents the SVRCS Plan net liability, calculating using the discount rate of 1.86%, as well as what the SVRCS Plan net liability would be if it were calculating using a discount rate that was 1- percentage point lower (0.86%) or 1- percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	1.28%	2.28%	3.28%
SVRCS Plan net liability	1,043,819	944,567	852,281

NOTE 10 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

Change in SVRCS Plan Liability

Liability Balance at 6/30/2020	961,847
Service Costs	103,008
Interest	19,806
Changes in Benefit Terms	-
Differences Between Expected and Actual	
Experience	(99,236)
Changes in Assumptions	(40,858)
Benefit Payments	-
Other Changes	-
Total Change	<u>(17,280)</u>
Liability Balance at 6/30/2021	<u><u>944,567</u></u>

3. Summary of OPEB Liabilities, OBEP Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the School reported net OPEB liabilities as follows:

Proportionate share of Premium Assistance	624,000
SVRCS Plan	<u>944,567</u>
Total	<u><u>1,568,567</u></u>

The net liability for the SVRCS Plan was measured as of June 30, 2021, based on the actuarial valuation as of June 30, 2021.

The net liability for Premium Assistance was measured as of June 30, 2021, and the total Premium Assistance 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 School's proportion of the net OBEP liability was calculated utilizing the School's one-year reported covered payroll as it relates to the total one-year reported covered payroll, using contributions made in 2021. The School's proportion was .0263 percent, which was an increase of .0002 percent from its proportion measured in the prior year.

For the year ended June 30, 2022, the School recognized OPEB expense of:

Premium Assistance	55,464
SVRCS Plan	<u>124,787</u>
Total	<u><u>180,251</u></u>

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows as follows:

Premium Assistance

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	6,000	-
Changes in Assumptions	66,000	(8,000)
Net difference between projected and actual investment earnings	1,000	-
Changes in Proportion	55,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	31,880	-
	<u><u>159,880</u></u>	<u><u>(8,000)</u></u>

NOTE 10 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)

SVRCS Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	22,595	(117,775)
Changes in Assumptions	178,363	(63,549)
	<u>200,958</u>	<u>(181,324)</u>

Total

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	28,595	(117,775)
Changes in Assumptions	244,363	(71,549)
Net difference between projected and actual investment earnings	1,000	-
Changes in Proportion	55,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	31,880	-
	<u>360,838</u>	<u>(189,324)</u>

The total \$31,880 reported as deferred outflows of resources resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the school year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>School Year Ended June 30:</u>	<u>Premium Assistance</u>	<u>SVRCS Plan</u>	<u>Total</u>
2023	27,000	1,970	28,970
2024	27,000	1,970	28,970
2025	26,000	1,970	27,970
2026	19,000	1,970	20,970
2027	12,000	1,970	13,970
thereafter	9,000	9,784	18,784
	<u>120,000</u>	<u>19,634</u>	<u>139,634</u>

Note 11 GRANT PROGRAMS

The School participates in federal grant programs, which are governed by rules and regulations of the grantor agencies. To the extent that the School has not complied with the rules and regulations of the grants, refunds of money received may be required. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 12 RISK MANAGEMENT

The School has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage is consistent with previous years. During the year ended June 30, 2022, and the three previous years, no settlements exceeded insurance coverage.

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE A

Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual

General Fund

For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance from</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	8,687,614	8,687,614	8,385,168	(302,446)
State Sources	9,000	9,000	114,522	105,522
Federal Sources	186,000	186,000	716,224	530,224
	<u>8,882,614</u>	<u>8,882,614</u>	<u>9,215,914</u>	<u>333,300</u>
<u>EXPENDITURES</u>				
Regular Instruction	3,780,434	3,780,434	4,242,337	(461,903)
Special Programs	1,467,367	1,467,367	1,389,282	78,085
Other Instructional Programs	13,207	13,207	45,693	(32,486)
<i>Total Instruction</i>	<u>5,261,008</u>	<u>5,261,008</u>	<u>5,677,312</u>	<u>(416,304)</u>
Pupil Services	322,845	322,845	297,669	25,176
Instructional Staff Services	366,923	366,923	369,303	(2,380)
Administrative Services	771,216	771,216	823,014	(51,798)
Pupil Health	261,583	261,583	251,678	9,905
Business Services	136,726	136,726	137,162	(436)
Operation & Maintenance of Plant Services	1,036,092	1,036,092	668,581	367,511
Student Transportation Services	104,055	104,055	54,090	49,965
Central & Other Support Services	426,671	426,671	470,422	(43,751)
<i>Total Support Services</i>	<u>3,426,111</u>	<u>3,426,111</u>	<u>3,071,919</u>	<u>354,192</u>
Student Activities	291,964	291,964	148,438	143,526
Scholarships and Awards	-	-	100	(100)
<i>Total Non-Instructional Services</i>	<u>291,964</u>	<u>291,964</u>	<u>148,538</u>	<u>143,426</u>
Facilities Acquisitions and Planning Services	-	-	28,439	(28,439)
	<u>8,979,083</u>	<u>8,979,083</u>	<u>8,926,208</u>	<u>52,875</u>
<u>Other Financing Sources (Uses)</u>				
Debt Service	-	-	(1,392,804)	(1,392,804)
Interfund Transfers - Out	-	-	(34,030)	(34,030)
Other Sources	-	-	-	-
Budgetary Reserve	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(1,426,834)</u>	<u>(1,426,834)</u>
<u>Net Change in Fund Balance</u>	<u>(96,469)</u>	<u>(96,469)</u>	<u>(1,137,128)</u>	<u>(1,040,659)</u>
<u>Fund Balance - Beginning</u>	<u>5,550,000</u>	<u>5,550,000</u>	<u>4,798,058</u>	<u>(751,942)</u>
<u>Fund Balance - Ending</u>	<u>5,453,531</u>	<u>5,453,531</u>	<u>3,660,930</u>	<u>(1,792,601)</u>

See accompanying Notes to Required Supplementary Information

SUGAR VALLEY RURAL CHARTER SCHOOL**SCHEDULE B**

Schedule of School's Proportionate Share of Net Pension Liability
Commonwealth of Pennsylvania School Employees Retirement System (PSERS)
June 30, 2022

Measurement date	<u>30-Jun-21</u>	<u>30-Jun-20</u>
School's proportion of the net pension liability (asset)	0.0263%	0.0261%
School's proportionate share of the net pension liability (asset)	10,798,000	12,851,000
School's covered-employee payroll	3,732,646	3,701,548
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	289.29%	347.18%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%

Measurement date	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>
School's proportion of the net pension liability (asset)	0.0255%	0.0241%	0.0225%	0.0270%	0.0188%
School's proportionate share of the net pension liability (asset)	11,930,000	11,569,000	11,112,000	10,258,000	8,143,000
School's covered-employee payroll	3,514,458	3,242,009	2,996,369	2,675,420	2,422,716
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	339.45%	356.85%	370.85%	383.42%	336.11%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%

See accompanying Notes to Required Supplementary Information.

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE C

Schedule of School's Contributions for Pension Benefits
Commonwealth of Pennsylvania School Employees Retirement System - PSERS
June 30, 2022

School Year End	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>30-Jun-20</u>
Contractually required contribution	1,360,331	1,257,528	1,238,168
Contributions in relation to the contractually required contribution	<u>1,360,331</u>	<u>1,257,528</u>	<u>1,238,168</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
School's covered-employee payroll	3,985,018	3,732,646	3,701,548
Contributions as a percentage of covered-employee payroll	34.14%	33.69%	33.45%

School Year End	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>
Contractually required contribution	1,145,713	1,029,014	874,940	668,855	496,657
Contributions in relation to the contractually required contribution	<u>1,145,713</u>	<u>1,029,014</u>	<u>874,940</u>	<u>668,855</u>	<u>496,657</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School's covered-employee payroll	3,514,458	3,242,009	2,996,369	2,675,420	2,422,716
Contributions as a percentage of covered-employee payroll	32.60%	31.74%	29.20%	25.00%	20.50%

SUGAR VALLEY RURAL CHARTER SCHOOL**SCHEDULE D**

Schedule of School's Proportionate Share of Net Premium Assistance OPEB Liability
 Commonwealth of Pennsylvania School Employees Retirement System (PSERS)
 June 30, 2022

Measurement date	<u>30-Jun-21</u>	<u>30-Jun-20</u>
School's proportion of the net Premium Assistance OPEB liability (asset)	0.0263%	0.0263%
School's proportion of the net Premium Assistance OPEB liability (asset)	624,000	568,000
School's covered-employee payroll	3,732,646	3,701,548
School's proportionate share of the net Premium Assistance OPEB liability(asset) as a percentage of its covered-employee payroll	16.72%	15.34%
Plan fiduciary net position as a percentage of the total Premium Assistance OPEB liability	5.30%	5.69%

Measurement date	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
School's proportion of the net Premium Assistance OPEB liability (asset)	0.0255%	0.0241%	0.0225%	0.0270%
School's proportion of the net Premium Assistance OPEB liability (asset)	542,000	502,000	458,000	446,000
School's covered-employee payroll	3,514,458	3,242,009	2,996,369	2,675,420
School's proportionate share of the net Premium Assistance OPEB liability(asset) as a percentage of its covered-employee payroll	15.42%	15.48%	15.29%	16.67%
Plan fiduciary net position as a percentage of the total Premium Assistance OPEB liability	5.56%	5.56%	5.73%	5.47%

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE E

Schedule of School's Contributions for Premium Assistance OPEB
Commonwealth of Pennsylvania School Employees Retirement System - PSERS
June 30, 2022

School Year End	<u>30-Jun-22</u>	<u>30-Jun-21</u>	<u>30-Jun-20</u>
Contractually required contribution	31,880	30,608	31,093
Contributions in relation to the contractually required contribution	<u>31,880</u>	<u>30,608</u>	<u>31,093</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
School's covered-employee payroll	3,985,018	3,732,646	3,701,548
Contributions as a percentage of covered-employee payroll	0.80%	0.82%	0.84%

School Year End	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
Contractually required contribution	29,170	26,909	24,870
Contributions in relation to the contractually required contribution	<u>29,170</u>	<u>26,909</u>	<u>24,870</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
School's covered-employee payroll	3,514,458	3,242,009	2,996,369
Contributions as a percentage of covered-employee payroll	0.83%	0.83%	0.83%

SUGAR VALLEY RURAL CHARTER SCHOOL

SCHEDULE F

Schedule of Changes in Net Liability and Covered Payroll for the SVRCS Plan - OPEB
June 30, 2022

Measurement date	<u>30-Jun-21</u>
OPEB Liability at beginning of measurement period	961,847
Service Costs	103,008
Interest	19,806
Changes in Benefit Terms	-
Differences Between Expected and Actual	
Experience	(99,236)
Changes in Assumptions	(40,858)
Benefit Payments	-
Other Changes	-
Total Change	<u>(17,280)</u>
OPEB Liability at end of measurement period	<u><u>944,567</u></u>
Covered Payroll	3,732,646
OPEB Liability as a Percent of Covered Payroll	25.3%

Measurement date	<u>30-Jun-20</u>	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
OPEB Liability at beginning of measurement period	722,248	632,153	559,892	453,251
Service Costs	74,716	71,021	66,825	64,626
Interest	26,778	20,955	19,394	12,722
Changes in Benefit Terms	-	-	-	-
Differences Between Expected and Actual				
Experience	-	26,831		(32,247)
Changes in Assumptions	138,105	(28,712)	(838)	74,366
Benefit Payments	-	-	(13,120)	(12,826)
Other Changes	-	-	-	-
Total Change	<u>239,599</u>	<u>90,095</u>	<u>72,261</u>	<u>106,641</u>
OPEB Liability at end of measurement period	<u><u>961,847</u></u>	<u><u>722,248</u></u>	<u><u>632,153</u></u>	<u><u>559,892</u></u>
Covered Payroll	3,510,579	3,510,579	3,061,024	3,061,024
OPEB Liability as a Percent of Covered Payroll	27.4%	20.6%	20.7%	18.3%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 **SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL-
Schedule A**

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The budget was not amended during the year ended June 30, 2022.

NOTE 2 **SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- Schedule B**

and

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS FOR PENSION BENEFITS – Schedule C

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 9 to the financial statements.

NOTE 3 **SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PREMIUM ASSISTANCE OPEB
LIABILITY – Schedule D**

and

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS FOR PREMIUM ASSISTANCE OPEB – Schedule E

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 10 to the financial statements.

NOTE 4 **SCHEDULE OF CHANGES IN NET LIABILITY AND COVERED EMPLOYEE PAYROLL FOR THE SVRCS PLAN
- OPEB – Schedule F**

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 10 to the financial statements.

No assets are accumulated in a trust to fund benefits.

SUGAR VALLEY RURAL CHARTER SCHOOL

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

page 1 of 2

Federal Grantor/ Project Title	Assistance Listing Number (ALN)	Additional Award Identification	Pass- through Grantor Number	Grant Period Beginning/ Ending Date	Original Grant Amount	Total Received For the Year	(Receivable)/ Unearned Revenue 6/30/2021	Receivable (Unearned)/ (Refundable) Revenue June 30, 2022	Revenue Recognized	Total Federal Expenditures	Provided to Subrecipients
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Education											
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649		358	7/1/21-6/30/22	\$ 614	\$ 614	\$ -	\$ -	\$ 614	\$ 614	\$ -
Total ALN - 10.649											
<i>Child Nutrition Cluster</i>											
Passed through Pennsylvania Department of Education											
School Breakfast Program	10.553		365	7/1/21-6/30/22	\$ 82,166	\$ 82,166	\$ (1,884)	\$ 430	\$ 80,712	\$ 80,712	\$ -
Total ALN - 10.553											\$ 80,712
Passed through Pennsylvania Department of Education											
National School Lunch (Supply Chain Assistance)	10.555		356	7/1/21-6/30/23	\$ 13,891	\$ 13,891	\$ -	\$ (13,891)	\$ -	\$ -	\$ -
National School Lunch (SNP Emergency Operating Costs)	10.555		357	7/1/21-6/30/22	\$ 34,442	\$ 34,448	\$ -	\$ -	\$ 34,442	\$ 34,442	\$ -
National School Lunch(Meal Reimbursement)	10.555		362	7/1/21-6/30/22	\$ 280,955	\$ 286,424	\$ (7,020)	\$ 1,551	\$ 280,955	\$ 280,955	\$ -
Passed through Pennsylvania Department of Agriculture											
National School Lunch (Donated Commodities)	10.555		2-02-41-530	7/1/21-6/30/22	\$ 29,218	\$ 29,218	a)\$ 3,618	b)\$ -3,255	c)\$ 29,581	c)\$ 29,581	\$ -
Total ALN - 10.555											\$ 344,978
Total Child Nutrition Cluster											\$ 425,690
Total U.S. Department of Agriculture											\$ 426,304
U.S. Department of Education											
Direct Award											
Small Rural Schools Achievement (SRSA)	84.358 A		Direct Award	7/1/21-9/30/22	\$ 33,057	\$ -	\$ -	\$ 21,639	\$ 21,639	\$ 21,639	\$ -
Small Rural Schools Achievement (SRSA)	84.358 A		Direct Award	7/1/20-9/30/21	\$ 31,114	\$ 31,114	\$ -	\$ -	\$ 31,114	\$ 31,114	\$ -
Total ALN - 84.358											\$ 52,753
Passed through Pennsylvania Department of Education											
Title I Grants to Local Educational Agencies	84.010		013-22-0881	7/1/21-9/30/22	\$ 138,887	\$ 95,017	\$ -	\$ 43,870	\$ 138,887	\$ 138,887	\$ -
Title I Grants to Local Educational Agencies	84.010		013-21-0881	7/1/20-9/30/21	\$ 125,909	\$ 33,348	\$ (2,006)	\$ -	\$ 31,342	\$ 31,342	\$ -
Title II Supporting Effective Instruction State Grants (transferred to Title I)	84.010		020-22-0881	7/1/21-9/30/22	\$ 18,652	\$ 19,018	\$ -	\$ (366)	\$ 18,652	\$ 18,652	\$ -
Title IV Student Support and Academic Enrichment Program (transferred to Title I)	84.010		144-22-0881	7/1/21-9/30/22	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -
Total ALN - 84.010 (including transfers)											\$ 198,881
COVID-19 American Rescue Plan -Elementary and Secondary School Emergency Relief Fund(Homeless Children & Youth)	84.425W	COVID 19	181-21-2421	7/1/21-9/30/24	\$ 5,855	\$ 300	\$ -	\$ (300)	\$ -	\$ -	\$ -
COVID-19 American Rescue Plan -Elementary and Secondary School Emergency Relief Fund(ARP ESSER)	84.425U	COVID 19	223-21-0081	3/13/20-9/30/24	\$ 940,445	\$ 68,396	\$ -	\$ 275,287	\$ 343,683	\$ 343,683	\$ -
COVID-19 American Rescue Plan -Elementary and Secondary School Emergency Relief Fund(ARP ESSER 7.5 Set-aside)	84.425U	COVID 19	225-21-0881	3/13/20-9/30/24	\$ 73,094	\$ 9,303	\$ -	\$ (2,799)	\$ 6,504	\$ 6,504	\$ -
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	COVID 19	200-20-0881	3/13/20-9/30/21	\$ 105,001	\$ 5,526	\$ 13,516	\$ -	\$ 19,042	\$ 19,042	\$ -
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	COVID 19	200-21-0881	3/13/20-9/30/23	\$ 464,943	\$ 43,251	\$ -	\$ (22,300)	\$ 20,951	\$ 20,951	\$ -
Governor's Emergency Education Relief (SECIM)	84.425C	COVID 19	252-20-0881	7/1/20 -9/30/21	\$ 5,000	\$ 3,667	\$ 1,333	\$ -	\$ 5,000	\$ 5,000	\$ -
Governor's Emergency Education Relief (ARP ESSER 2.5% Set-Aside)	84.425C	COVID 19	224-21-0881	3/13/20-9/30/24	\$ 43,579	\$ 1,585	\$ -	\$ (1,585)	\$ -	\$ -	\$ -
Total ALN - 84.425											\$ 395,180

See Accompanying Notes to Schedule of Expenditures of Federal Awards

SUGAR VALLEY RURAL CHARTER SCHOOL

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/ Project Title	Assistance Listing Number (ALN)	Additional Award Identification	Pass- through Grantor Number	Grant Period Beginning/ Ending Date	Total Grant Amount	Total Received For the Year	(Receivable)/ (Inventory)/ (Inventory)/ Unearned Revenue 6/30/2021	Receivable (Inventory)/ (Unearned)/ (Refundable) Revenue June 30, 2022	Revenue Recognized	Total Federal Expenditures	Provided to Subrecipients
<i>Special Education Cluster</i>											
Passed through Central Intermediate Unit 10											
Special Education Grants to States (IDEA Part B)	84.027A		062-22-0000	7/1/21-9/30/22	\$ 163,809	\$ -	\$ -	\$ 133,576	\$ 133,576	\$ 133,576	\$ -
COVID-19 Special Education Grants to States (IDEA Part B)	84.027X	COVID-19	062-22-0000	7/1/21-9/30/22	\$ 34,439	\$ -	\$ -	\$ 27,511	\$ 27,511	\$ 27,511	\$ -
Special Education Grants to States (IDEA Part B)	84.027A		062-22-0000	7/1/20-9/30/21	\$ 166,543	\$ 50,934	\$ -	\$ -	\$ 50,934	\$ 50,934	\$ -
Total ALN - 84.027									\$ 212,021		
Special Education Preschool Grants (IDEA Preschool)	84.173		none provided	7/1/21-9/30/22	\$ 2,016	\$ -	\$ -	\$ 2,016	\$ 2,016	\$ 2,016	\$ -
Total ALN - 84.173									\$ 2,016		
<i>Total Special Education Cluster</i>											
Total U.S. Department of Education											
<u>\$ 860,851</u>											
U.S. Department of Health and Human Services											
<i>Medicaid Cluster</i>											
Passed Through PA Department of Human Services											
Medical Assistance Program (Medicaid- Title XIX)	93.778		none provided	7/1/21-6/30/22	\$ 4,804	\$ 4,804	\$ -	\$ -	\$ 4,804	\$ 4,804	\$ -
Total ALN - 93.778									\$ 4,804		
<i>Total Medicaid Cluster</i>											
Total U.S. Department of Health and Human Services											
<u>\$ 4,804</u>											
TOTAL FEDERAL EXPENDITURES											
<u>\$ 1,291,959</u>											

- Notes:
- a) value of donated commodities inventory - beginning of year
 - b) value of donated commodities inventory - end of year
 - c) value of donated commodities consumed

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Accounting – Recognition and Valuation of Federal Expenditures

Federal expenditures for all grants, except as those below (paragraphs 2 and 3), are recognized on the accrual basis of accounting as defined by generally accepted accounting principles, and concurrently with grant revenue when applicable grant compliance requirements are met.

Cash assistance from the U.S. Department of Agriculture, represents amounts received as subsidies for meals served to students. This assistance is recognized as a federal expenditure at the time the meals are provided. The values of donated commodities, are recognized as federal expenditures at the time the commodities are consumed. The value of donated commodities is derived from reporting provided by the Pennsylvania Department of Agriculture.

Amounts received under the SNP Emergency Operating Costs program were awarded to compensate for prior years' effects of Covid-19. The School has been advised that the award should be recognized as a federal expenditure at the time of receipt.

B. Indirect Costs

The School did not elect to use the 10% minimis indirect cost rate.

C. Reconciliation to Financial Statements

Amounts on the Schedule of Expenditures of Federal Awards can be reconciled to the financial statements as follows:

Exhibit C - General Fund	
Federal Sources	\$716,224
Plus IDEA pass through Central IU 10- reported as local revenue per PA Department of Education guidance	\$214,037
Less School Based Medicaid Reimbursement Program (SBAP)	-\$64,606
 Exhibit H - Food Service	
Federal Sources	<u>\$426,304</u>
 Schedule of Federal Awards Total	<u>\$1,291,959</u>



MARGARET MCCLUSKEY CPA LLC

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

To the Board of Trustees
SUGAR VALLEY RURAL CHARTER SCHOOL
Loganton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sugar Valley Rural Charter School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Sugar Valley Rural Charter School's basic financial statements, and have issued our report thereon dated January 17, 2023

Report on Internal Control over Financial Reporting

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

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

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

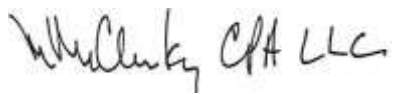
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Mifflinburg, Pennsylvania

January 17, 2023



MARGARET MCCLUSKEY CPA LLC

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

To the Board of Trustees
SUGAR VALLEY RURAL CHARTER SCHOOL
Loganton, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Sugar Valley Rural Charter School 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 Sugar Valley Rural Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance

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

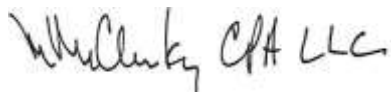
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be significant deficiencies.

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

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

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

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



Mifflinburg, Pennsylvania

January 17, 2023

Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2022

There was no prior year Single Audit and, therefore, there are no prior year findings to present.

SUGAR VALLEY RURAL CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes __X__ no
- Significant Deficiency(s) identified? ___ yes __X__ no

Noncompliance material to financial statements noted? ___ yes __X__ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes __X__ no
- Significant Deficiency(s) identified? __X__ yes ___ no

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 __X__ no

Identification of major federal programs:

<u>ALN(s).</u>	<u>Names of Federal Program or Cluster</u>
	Special Education Cluster
84.425C	COVID-19 Governor's Emergency Education Relief (SECIM)
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund
84.425U	COVID -19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee? ___ yes __X__ no

Section II – Financial Statement Findings

Internal control over financial reporting:

None reported

Noncompliance material to financial statements:

None reported

Section III – Federal Award Findings and Questioned Costs

Internal Control over major federal programs compliance:

Finding 2022-001- Significant deficiency in internal controls over compliance

Federal Programs:

- 1) **American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)**
Assistance Listing Number: 84.425U
and
- 2) **Elementary and Secondary School Emergency Relief (ESSER II)**
Assistance Listing Number: 84.425D

Pass-through: PA Department of Education

Criteria: The Uniform Guidance Section 200.303 states –

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Internal controls are procedures and processes that are designed to allow School employees to prevent, or detect and correct, noncompliance in the normal course of their duties.

Condition: In the course of our audit, we noted two instances in which the School's internal controls did not prevent or detect noncompliance.

- 1) ARP-ESSER 84.425U - In the fall of 2021, the School prepaid software subscriptions of 8 and 10 years and charged them to this grant. These purchases would not be considered allowable costs as the number of years purchased far exceeded the grants period of performance which will end September 30, 2024. The cost for years purchased beyond the period of performance was \$130,322.
- 2) ESSER II -84.425 D - The School planned a major improvement to their HVAC system and requested bids from contractors. The bid document, and contract, mistakenly referenced Pennsylvania state prevailing wage rates, rather than federal prevailing wage rates. The contract of \$405,000 was signed in the spring of 2022. The amount representing wages, and the difference between wages under state and federal prevailing rates has not yet been determined.

Schedule of Findings and Questioned Costs (continued)

Cause: The School's internal controls did not include certain elements included in the Guidance of the "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by COSO."

These elements of risk assessment, information and communication, and monitoring might have allowed the School to prevent or detect these instances of noncompliance.

Consequence: Because these instances of noncompliance were brought to light in the audit process, and the periods of performance for both grants is long, there was time for the corrective actions noted below to be taken. While no questioned costs will result, the control deficiency still exists as control procedures have not been strengthened.

- 1) ARP-ESSER 84.425 U - When the audit raised the question as to allowability of the costs for services that were to be provided after the period of performance, the School verified that these costs were not allowed by calling the PA Department of Education. Adjustment was then made to the accounts, to transfer the costs that represented the years after the period of performance to local funding. Therefore, no questioned costs will result.
- 2) ESSER II -84.425 D The actual work under the contract was performed after June 30, 2022, and, therefore, no unallowed costs were incurred, and no questioned costs are reported in this audit period. When the audit revealed that the federal prevailing wage had not been included in the contract, the School immediately began a process by which the School intends to work with contractors to assure that the correct wages rates are paid retrospectively. It is the School's intent that the correction will be made before the end of the grant period on September 30, 2023.

Recommendation: We suggest that the School strengthen internal controls by introducing procedures such as-

Consideration of new grant requirements, degree of School experience with the requirements, training of staff involved (risk assessment)

Review of Compliance Supplement and Uniform Guidance, circulation of information among all staff members involved in initiating, approving, recording transactions (information and communication)

Review of significant transactions to be sure proper procedures were followed (monitoring)

Views of responsible officials: The School concurs with this finding.

Audit findings reported in accordance with 2 CFR 200.516(a):

None reported



Sugar Valley Rural Charter School

236 E. Main St Loganton, PA 17747

Phone: 570-725-7822 Fax: 570-725-7825

Web: www.svracs.org email: svracs@svracs.org twitter: [@svracs](https://twitter.com/svracs)

Corrective Action Plan

Finding 2022-001- Significant deficiency in internal controls over compliance:

The school recognizes that we have a weakness in our control procedures. The School will strengthen our control procedures for Federal Grants by thoroughly reviewing the grant requirements and training staff involved with the grant process. The federal grant coordinator will review the Compliance Supplement and Uniform Guidance and inform staff team members of the requirements. The grant team will review significant transactions to insure proper procedures are followed. The team will also meet on a regular basis to discuss the grants.

Responsible Party: Tracie Kennedy, CEO
Kristi Courter, Federal Grant Coordinator

Completion Date: March 1, 2023