

SELINGROVE AREA SCHOOL DISTRICT
SELINGROVE, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022

SELINGROVE AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401
210 Tollgate Hill Road, Greensburg, PA 15601



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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Adoption of New Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2022 the District adopted the provisions of Governmental Accounting Standards Board's Statements No. 87, "Leases", Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", Statement No. 92, "Omnibus 2020" and part of Statement No. 99, "Omnibus 2022". Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance budget and actual – General Fund, the schedule of changes in the total OPEB liability and related ratios – District other postemployment benefits plan, the schedule of the District's proportionate share of the net OPEB liability – PSERS plan, the schedule of the District's OPEB contributions – PSERS plan, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions – pension plan on pages 4 through 16 and pages 61 through 66 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.



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Board of School Directors
Selinsgrove Area School District
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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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical schedules on pages 68 through 72 and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
January 18, 2023

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management Discussion & Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their 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 (2021-22) and the prior year (2020-21) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The General Fund final surplus for the year was \$659,822.
- The District was able to transfer an additional \$1.5 million to the Capital Reserve Fund and \$300,000 to the Debt Service Fund from the initial General Fund surplus.
- Total General Fund Reserves (total fund balances) at year-end were \$11.2 million representing 23.6% of budgeted expenses.
- Total combined General Fund, Debt Service Fund, and Capital Reserve Fund reserves increased \$0.82 million or 5.7% to \$15.29 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell 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 District operates as a business, such as food service.

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

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

District-wide Statements

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

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

In the district-wide financial statements, the District's activities are divided into two categories:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities - The District charges fees to help cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 District's programs. Because this information does not encompass the long-term focus of the district-wide statements, we provide additional information with the governmental funds statements to explain the relationship between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net assets were (\$47,553,956), on June 30, 2022. (See Table A-1).

**Table A-1
Selingsgrove Area School District
Net Position as of
June 30, 2022**

| | Governmental | | Business-type | | | |
|--------------------------------------|-----------------------|-----------------------|--------------------|--------------------|-----------------------|-----------------------|
| | Activities | | Activities | | Total | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Current and other assets | \$20,710,939 | \$22,200,873 | \$634,656 | \$1,130,978 | \$21,345,595 | \$23,331,851 |
| Capital assets | 36,752,562 | 36,001,314 | 526,759 | 505,456 | 37,279,321 | 36,506,770 |
| Total Assets | \$57,463,501 | \$58,202,187 | \$1,161,415 | \$1,636,434 | \$58,624,916 | \$59,838,621 |
| Deferred Outflow of Resources | \$15,438,917 | \$14,375,274 | \$0 | \$0 | \$15,438,917 | \$14,375,274 |
| Long term debt outstanding | \$50,005,341 | \$47,042,211 | \$6,052 | \$6,211 | \$50,011,393 | \$47,048,422 |
| Other liabilities | 7,276,968 | 7,800,889 | 67,235 | 115,442 | 7,344,203 | 7,916,331 |
| Net Pension Liability | 67,901,000 | 54,400,000 | 0 | 0 | 67,901,000 | 54,400,000 |
| Total Liabilities | \$125,183,309 | \$109,243,100 | \$73,287 | \$121,653 | \$125,256,596 | \$109,364,753 |
| Deferred Inflow of Resources | \$3,209,983 | \$12,403,098 | \$0 | \$0 | \$3,209,983 | \$12,403,098 |
| Net investment in capital assets | \$7,456,631 | \$8,931,355 | \$526,759 | \$505,456 | \$7,983,390 | \$9,436,811 |
| Restricted net assets | 4,611,856 | 4,773,208 | 0 | 0 | 4,611,856 | 4,773,208 |
| Unrestricted net assets | (67,559,361) | (62,773,300) | 561,369 | 1,009,325 | (66,997,992) | (61,763,975) |
| Total Net Position | \$(55,490,874) | \$(49,068,737) | \$1,088,128 | \$1,514,781 | \$(54,402,746) | \$(47,553,956) |

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2022

Table A-2
Selinsgrove Area School District
Fiscal Year Ended June 30, 2022
Change in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|------------------|-------------------|--------------------|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$237,060 | \$366,029 | \$190,440 | \$268,337 | \$427,500 | \$634,366 |
| Operating Grants & Contributions | 9,458,549 | 10,480,889 | 840,958 | 1,659,229 | 10,299,507 | 12,140,118 |
| Capital Grants & Contributions | 1,303,461 | 772,474 | 0 | 0 | 1,303,461 | 772,474 |
| General Revenues | | | | | | |
| Property Taxes | 17,746,398 | 18,100,081 | 0 | 0 | 17,746,398 | 18,100,081 |
| Other Taxes | 8,227,644 | 9,237,222 | 0 | 0 | 8,227,644 | 9,237,222 |
| State formula aid | 8,749,724 | 8,918,537 | 0 | 0 | 8,749,724 | 8,918,537 |
| Investment earnings | 71,024 | 52,197 | 901 | 2 | 71,925 | 52,199 |
| Other | 25,350 | 11,418 | 4,990 | 0 | 30,340 | 11,418 |
| Total Revenues | 45,819,210 | 47,938,847 | 1,037,289 | 1,927,568 | 46,856,499 | 49,866,415 |
| Expenses | | | | | | |
| Instruction | 28,643,525 | 26,053,181 | 0 | 0 | 28,643,525 | 26,053,181 |
| Instruction Student Support | 5,232,884 | 3,918,469 | 0 | 0 | 5,232,884 | 3,918,469 |
| Administration | 3,872,916 | 3,832,827 | 0 | 0 | 3,872,916 | 3,832,827 |
| Operation & Maint of facilities | 3,497,365 | 3,691,305 | 0 | 0 | 3,497,365 | 3,691,305 |
| Pupil Transportation | 1,904,860 | 1,933,669 | 0 | 0 | 1,904,860 | 1,933,669 |
| Student Activities | 963,683 | 1,221,810 | 0 | 0 | 963,683 | 1,221,810 |
| Community Services | 38,744 | 52,491 | 0 | 0 | 38,744 | 52,491 |
| Interest on Long term debt | 897,475 | 812,958 | 0 | 0 | 897,475 | 812,958 |
| Food Service | 0 | 0 | 1,072,640 | 1,500,915 | 1,072,640 | 1,500,915 |
| Total Expenses | 45,051,452 | 41,516,710 | 1,072,640 | 1,500,915 | 46,124,092 | 43,017,625 |
| Increase/(Decrease) in Net Position | \$767,758 | \$6,422,137 | \$(35,351) | \$426,653 | \$732,407 | \$6,848,790 |

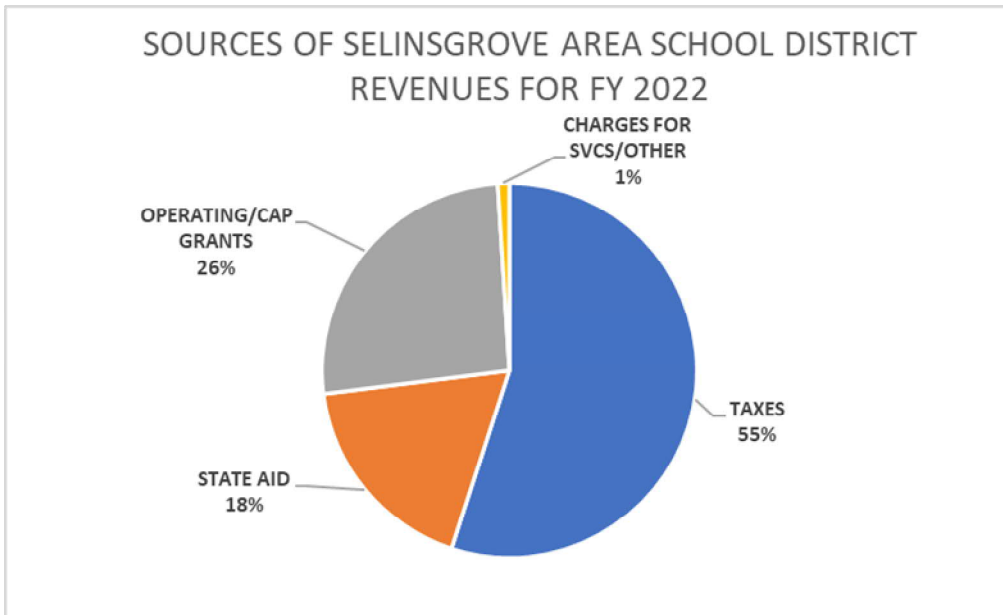
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

Changes in net position. The District's total revenues were \$49,866,415 for the year ended June 30, 2022 (see Table A-2). Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$27,337,303 or 54.8% of total revenues. Another 17.9% or \$8,918,537 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 25.9% or \$12,912,592 came from grants and contributions, with the remainder of \$697,983 or 1.4% coming from fees charged for services, investment earnings, and other revenues.

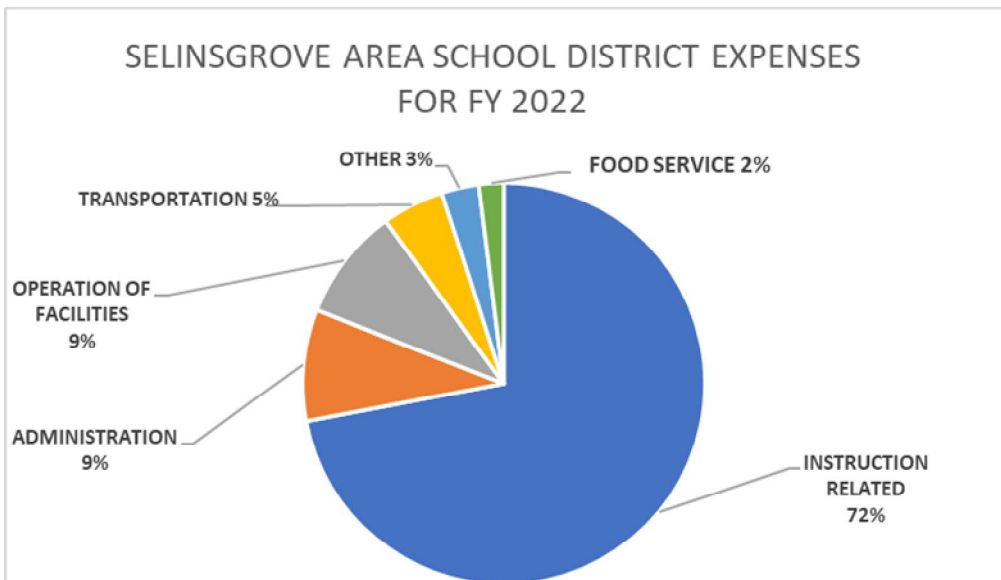
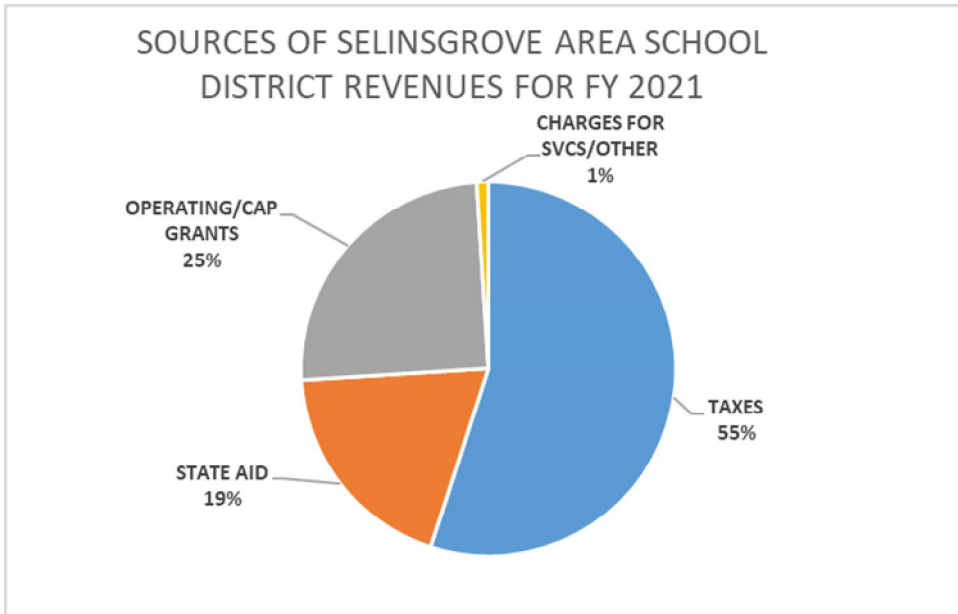
The total cost of all programs and services was \$43,017,625 (see Table A-2). The District's costs related to educating and servicing students were \$33,127,129 or 77.0% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 8.9% of total expenses or \$3,832,827 and operation of the District's facilities accounted for 8.6% of total expenses or \$3,691,305. Finally, food service costs made up 3.5% of total costs or \$1,500,915 and all other expenses (including interest on long-term debt) accounted for 2.0% or \$865,449.

Total revenues exceeded expenses, increasing net position by \$6,848,790.



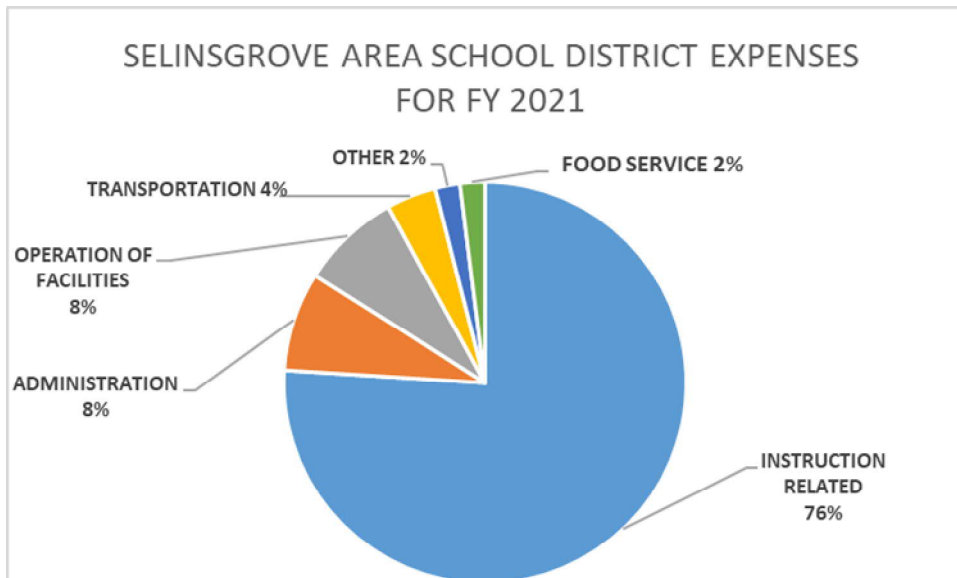
SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2022



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022



The cost of all District activities was \$43,017,625. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$634,366).
- Federal and state governments subsidized certain programs with grants and contributions (\$12,912,592).
- Most of the District's costs (\$29,470,667), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with \$27,337,303 in taxes, \$8,982,154 of state aid based on the statewide education aid formula, investment earnings, other general revenues.

This resulted in a surplus of revenue over expenses that increased the overall net position by \$6,848,790.

SELINGROVE AREA SCHOOL DISTRICT

Management’s Discussion & Analysis
Year Ended June 30, 2022

Table A-3
Selinsgrove Area School District
Net Cost of Governmental Activities

| | Total Cost | | Percentage | Net Cost | | Percentage |
|---------------------------------|---------------------|---------------------|---------------|---------------------|---------------------|----------------|
| | of Services | | Change | of Services | | Change |
| | 2021 | 2022 | 2021-22 | 2021 | 2022 | 2021-22 |
| Instruction | \$28,643,524 | \$26,053,181 | (9.0%) | \$21,879,018 | \$18,110,572 | (17.2%) |
| Instruction Student Support | 5,232,884 | 3,918,469 | (25.1%) | 4,299,214 | 3,438,961 | (20.0%) |
| Administration | 3,872,916 | 3,832,827 | (1.0%) | 3,572,878 | 3,263,418 | (8.7%) |
| Operation & Maint of facilities | 3,497,365 | 3,691,305 | 5.5% | 2,918,840 | 2,908,532 | (0.4%) |
| Pupil Transportation | 1,904,860 | 1,933,669 | 1.5% | 991,629 | 1,033,954 | 4.3% |
| Student Activities | 963,683 | 1,221,810 | 26.8% | 759,537 | 866,224 | 14.1% |
| Community Services | 38,744 | 52,491 | 35.5% | 37,252 | 49,489 | 32.8% |
| Interest on Long term debt | 897,475 | 812,958 | (9.4%) | (405,986) | 226,168 | 155.7% |
| Food Service | 1,072,640 | 1,500,915 | 39.9% | 41,242 | (426,651) | 1134.5% |
| Total Expenses | \$46,124,092 | \$43,017,625 | (6.7%) | \$34,093,624 | \$29,470,667 | (13.6%) |

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The District’s governmental funds reported a combined fund balance of \$15,603,914 a net increase of \$831,174 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2021 and 2022.

| | Fund Balance | Fund Balance | Increase/ |
|---|---------------------|---------------------|------------------|
| | 6/30/2021 | 6/30/2022 | (Decrease) |
| General | \$10,536,534 | \$11,196,356 | \$659,822 |
| Capital Projects * | 2,326,435 | 2,575,632 | 249,197 |
| Debt Service | 1,600,095 | 1,513,871 | (86,224) |
| Special Revenue | 309,676 | 318,055 | 8,379 |
| Total Fund Balances | \$14,772,740 | \$15,603,914 | \$831,174 |
| | | | |
| | | | |
| • Capital projects fund includes the Capital Reserve fund and remaining bond proceeds | | | |

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

Revenues and net other financing sources/uses for the District's governmental funds were \$47,772,340 while Expenses were \$46,941,166 producing a net change in fund balances of \$831,174.

GENERAL FUND

The following schedule provides a summary of General Fund revenues:

| | 2021 | 2022 | Increase/ (Decrease) | % Change |
|------------------------------|---------------------|---------------------|-------------------------|-------------|
| Local Sources | \$26,623,664 | \$27,891,788 | \$1,268,124 | 4.8% |
| State Sources | 17,247,472 | 16,755,313 | (492,159) | (2.9%) |
| Federal Sources | 1,795,574 | 2,910,006 | 1,114,432 | 62.1% |
| Financing Sources: | | | | |
| Bond/Lease Proceeds | 0 | 0 | 0 | |
| Transfer in from Other Funds | 0 | 0 | 0 | |
| Other Financing Sources | 25,350 | 11,418 | (13,932) | (55.0%) |
| Total Revenue | \$45,692,060 | \$47,568,525 | \$1,876,465 | 4.1% |

Total General Fund revenue increased by \$1,876,465 or 4.1% from the previous year. Local revenue sources increased \$1,268,124 or 4.8% from the previous year mainly due to an increase in earned income tax and real estate tax collections. State sources were down by \$492,159 or 2.9% due to a decrease in the debt service subsidy (the district received a lump sum payment for a prior year construction project completed at the SUN Area Technical Institute in the previous year). Federal sources increased by \$1,114,432 or 62.1% because of grant revenues received for COVID mitigation efforts and support.

The following schedule presents a summary of General Fund expenditures and other financing uses:

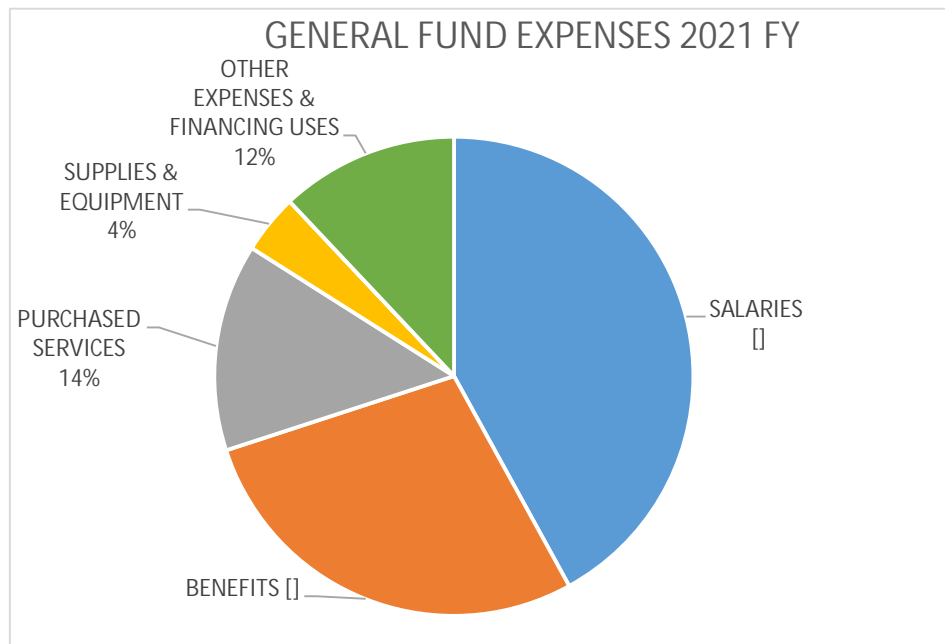
| | 2021 | 2022 | Increase/ (Decrease) | % Change |
|--|---------------------|---------------------|-------------------------|-------------|
| Salaries | \$18,941,228 | \$19,315,915 | \$374,687 | 2.0% |
| Employee Benefits | 12,778,871 | 12,647,802 | (131,069) | (1.0%) |
| Purchased Services | 6,213,059 | 6,642,735 | 429,676 | 6.9% |
| Supplies, Materials, Equipment | 2,116,395 | 2,991,547 | 875,152 | 41.4% |
| Debt Service | 0 | 0 | - | - |
| Other Expenditures/Financing Uses | 5,329,946 | 5,310,704 | (19,242) | (0.4%) |
| Total Expenditures/Financing Uses | \$45,379,499 | \$46,908,703 | \$1,529,204 | 3.4% |

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

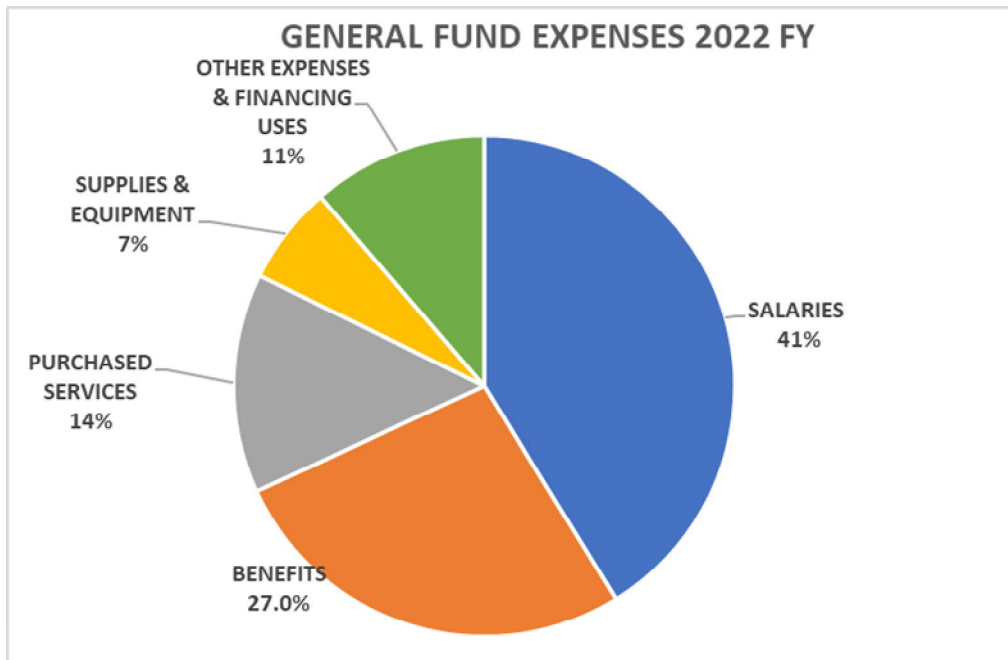
Total General Fund expenditures and financing uses increased \$1,529,204 or 3.4% from the previous year. Salary costs increased by \$374,687 or 2.0% from 2020-21. This was due to contractual increases by employee groups and the hiring of four new elementary instructional interventionists with federal grant funds. Employee benefits decreased by \$131,069 or 1.0% due to a decrease in medical insurance costs. Purchased service costs increased by \$429,676 or 6.9% mainly because of an increase in cyber-charter school tuition expenses and repair and maintenance expenses. Supplies, materials, and equipment costs increased by a total of \$875,152 or 41.4% because of an increase in technology costs and curriculum/software license costs. These instructional related expenses were funded with federal COVID Relief (ESSER) funds. Other Costs/Financing Uses were \$19,242 or 0.4% more than the prior year. There were extra transfers out to the capital reserve and debt service funds from the General Fund year-end budget surplus similar to a year ago.

In 2021-22, General Fund revenues and financing sources exceeded expenditures and financing uses by \$659,822. This increased the fund balance to \$11,196,356 at June 30, 2022. This number represents a healthy 23.6% of 2022-23 budgeted expenses.



SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022



General Fund Budgetary Highlights

Over the course of the year, the District reviews expenditures and makes appropriate adjustments to cover unexpected expenditures in the annual operating budget due to increases in appropriations of significant budgeted costs. While the District's original budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$451,997, actual results show that revenues and other financing sources exceeded expenditures and other financing uses by \$659,822. Overall expenses came in \$437,299 or 0.1% over the original budget. Major variances occurred in salary costs, which were \$583,221 or 2.9% under budget. Employee benefits were \$999,469 or 7.3% under budget. Purchased services were \$5,456 or .08% under budget. Supplies and Equipment were \$52,852 or 1.8% over budget (Federal COVID relief grant funds not in original budget). Other expenses/budgetary reserve were \$209,042 or 66.4% under budget. Transfers out to the Capital Reserve and Debt Service Funds were \$1,905,155 or 57.7% over budget because of the extra year end transfers from the General Fund surplus. General Fund revenues and financing sources came in \$1,272,637 or 2.8% over budget. Local sources (including the sale of fixed assets) were \$1,118,016 or 4.2% over budget. State sources were \$198,738 or 1.2% over budget. Federal sources were \$44,116 or 1.5% under budget.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

CAPITAL ASSETS

The District has invested \$93,628,040 in a broad range of capital assets, including land, school buildings, athletic facilities, library resources, computer and audio-visual equipment, and construction in progress (see table A-4). Accumulated depreciation expenses year to date June 30, 2022 totaled \$57,121,271.

Current year investments in fixed assets included computers and related hardware, improvements to school buildings, and campus site improvements.

Table A-4
Selingsgrove Area School District
Capital Assets

| | 2021 | 2022 | Increase/ (Decrease) | % Change |
|------------------------------------|-------------------|-------------------|-------------------------|---------------|
| Land | 501,269 | 501,269 | 0 | 0 |
| Building and Building Improvements | 66,529,851 | 67,252,835 | 722,984 | 1.1% |
| Furniture and Equipment | 16,982,084 | 17,915,822 | 933,738 | 5.5% |
| Site Improvements | 6,828,334 | 7,450,963 | 622,628 | 9.1% |
| Construction in Progress | 237,087 | 507,152 | 270,065 | 113.9% |
| Less: Accumulated Depreciation | (53,799,304) | (57,121,271) | (3,321,967) | 6.2% |
| Total | 37,279,321 | 36,506,770 | (772,551) | (2.1%) |

LONG-TERM LIABILITIES

At year-end, the District had \$26,725,000 in debt outstanding, \$22,636,686 of accrued compensated absences and other post-employment benefits (OPEB), and net pension liability of \$54,400,000, a decrease of \$2,731,347 from the previous year (see table A-5).

Table A-5
Selingsgrove Area School District
Outstanding Long-term Liabilities

| | 2021 | 2022 | Increase/ (Decrease) | % Change |
|-------------------------------------|----------------------|----------------------|-------------------------|----------------|
| General Obligation Bonds/Other Debt | \$29,580,000 | \$26,725,000 | \$(2,855,000) | (9.7%) |
| Compensated Absences/OPEB | 22,513,033 | 22,636,686 | 123,653 | 0.6% |
| Net Pension Liability | 67,901,000 | 54,400,000 | (13,501,000) | (19.9%) |
| Total | \$119,994,033 | \$103,761,686 | \$(16,232,347) | (13.5%) |

SELINGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2022

FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

The District will face many financial challenges in the future.

Act 1, The Tax Payer Relief Act, will continue to limit the district's ability to raise real estate taxes in order to generate additional revenue to fund the budget. Increases are based upon an inflation factor that is provided by the Department of Education each year. Current projections show a 3%-4% increase over the next few years.

Another factor that will have a major impact is the projected employer contribution into the Pennsylvania State Employee Retirement System (PSERS). That rate is to increase from 34.94% in 2021-22 to 35.26% in 2022-23 and gradually rising to 37.30% by 2029-30. These high contribution rates will continue to have a major impact on future district budgets.

A final factor that will have an impact on the district's budget in the near term is the loss of the additional federal ESSER funds that were used to offset the effects of learning loss due to COVID. The use of those funds ends 9/30/24. The district has hired additional professional personnel with those funds and plans to continue those programs after the funds run out.

The district maintains a five-year fiscal plan that deals with these factors by using a combination of revenue enhancements, expenditure reductions, and the use of reserves in order to balance future budgets.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Selingsrove Area School District, 329 Seals Avenue., Selingsrove, PA 17870.

BASIC FINANCIAL STATEMENTS

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

| ASSETS | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 12,474,961 | \$ 968,370 | \$ 13,443,331 |
| Restricted cash | 3,011,581 | - | 3,011,581 |
| Taxes receivable, net | 3,641,670 | - | 3,641,670 |
| Due from other governments | 2,781,103 | 15,401 | 2,796,504 |
| Internal balances | 25,441 | (25,441) | - |
| Other receivables | 54,732 | 33,263 | 87,995 |
| Inventories | 38,931 | 139,385 | 178,316 |
| Prepaid expenses | 172,454 | - | 172,454 |
| TOTAL CURRENT ASSETS | <u>22,200,873</u> | <u>1,130,978</u> | <u>23,331,851</u> |
| NON-CURRENT ASSETS | | | |
| Land | 501,269 | - | 501,269 |
| Building and building improvements (net of acc. dep.) | 30,135,330 | 359,862 | 30,495,192 |
| Furniture and equipment (net of acc. dep.) | 2,319,981 | 145,594 | 2,465,575 |
| Construction in progress | 507,152 | - | 507,152 |
| Site Improvements (net of acc. dep.) | 2,537,582 | - | 2,537,582 |
| TOTAL NON-CURRENT ASSETS | <u>36,001,314</u> | <u>505,456</u> | <u>36,506,770</u> |
| TOTAL ASSETS | <u>\$ 58,202,187</u> | <u>\$ 1,636,434</u> | <u>\$ 59,838,621</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | \$ 9,305,013 | \$ - | \$ 9,305,013 |
| Other postemployment benefits | 4,607,146 | - | 4,607,146 |
| Deferred charge on refunding | 463,115 | - | 463,115 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 14,375,274</u> | <u>\$ -</u> | <u>\$ 14,375,274</u> |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 2,987,410 | \$ 69,980 | \$ 3,057,390 |
| Accrued salaries and benefits | 1,176,414 | - | 1,176,414 |
| Payroll deductions and withholdings | 164,893 | - | 164,893 |
| Accrued interest | 255,179 | - | 255,179 |
| Current portion of bonds payable | 2,915,000 | - | 2,915,000 |
| Current portion of compensated absences | 32,500 | - | 32,500 |
| Unearned revenue | 174,297 | 45,462 | 219,759 |
| Other current liabilities | 95,196 | - | 95,196 |
| TOTAL CURRENT LIABILITIES | <u>7,800,889</u> | <u>115,442</u> | <u>7,916,331</u> |
| NON-CURRENT LIABILITIES | | | |
| Bonds payable, net | 24,438,025 | - | 24,438,025 |
| Long-term portion of compensated absences | 840,539 | 6,211 | 846,750 |
| Other postemployment benefits | 21,763,647 | - | 21,763,647 |
| Net pension liability | 54,400,000 | - | 54,400,000 |
| TOTAL NON-CURRENT LIABILITIES | <u>101,442,211</u> | <u>6,211</u> | <u>101,448,422</u> |
| TOTAL LIABILITIES | <u>\$ 109,243,100</u> | <u>\$ 121,653</u> | <u>\$ 109,364,753</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | \$ 11,324,000 | \$ - | \$ 11,324,000 |
| Other postemployment benefits | 1,079,098 | - | 1,079,098 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>\$ 12,403,098</u> | <u>\$ -</u> | <u>\$ 12,403,098</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 8,931,355 | \$ 505,456 | \$ 9,436,811 |
| Restricted | 4,773,208 | - | 4,773,208 |
| Unrestricted | <u>(62,773,300)</u> | <u>1,009,325</u> | <u>(61,763,975)</u> |
| TOTAL NET POSITION | <u>\$ (49,068,737)</u> | <u>\$ 1,514,781</u> | <u>\$ (47,553,956)</u> |

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense)/Revenue Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|--|-----------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 26,053,181 | \$ 29,043 | \$ 7,913,566 | \$ - | \$ (18,110,572) | \$ - | \$ (18,110,572) |
| Instructional Student Support | 3,918,469 | - | 479,508 | - | (3,438,961) | - | (3,438,961) |
| Administrative & Financial Support Svcs | 3,832,827 | - | 569,409 | - | (3,263,418) | - | (3,263,418) |
| Operation & Maintenance of Plant Svcs | 3,691,305 | 101,182 | 495,907 | 185,684 | (2,908,532) | - | (2,908,532) |
| Pupil Transportation | 1,933,669 | - | 899,715 | - | (1,033,954) | - | (1,033,954) |
| Student Activities | 1,221,810 | 235,804 | 119,782 | - | (866,224) | - | (866,224) |
| Community Services | 52,491 | - | 3,002 | - | (49,489) | - | (49,489) |
| Interest on Long Term Debt | 812,958 | - | - | 586,790 | (226,168) | - | (226,168) |
| Total Governmental Activities | 41,516,710 | 366,029 | 10,480,889 | 772,474 | (29,897,318) | - | (29,897,318) |
| Business-Type Activities: | | | | | | | |
| Food Service | 1,500,915 | 268,337 | 1,659,229 | - | - | 426,651 | 426,651 |
| Total | \$ 43,017,625 | \$ 634,366 | \$ 12,140,118 | \$ 772,474 | (29,897,318) | 426,651 | (29,470,667) |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes Levied for General Purposes, net | | | | | 18,100,081 | - | 18,100,081 |
| Other Taxes | | | | | 9,237,222 | - | 9,237,222 |
| Grants, Subsidies, & Contributions Not Restricted | | | | | 8,918,537 | - | 8,918,537 |
| Investment Earnings | | | | | 52,197 | 2 | 52,199 |
| Sale of Capital Assets | | | | | 11,418 | - | 11,418 |
| Total General Revenues | | | | | 36,319,455 | 2 | 36,319,457 |
| Change in Net Position | | | | | 6,422,137 | 426,653 | 6,848,790 |
| Net Position, Beginning | | | | | (55,490,874) | 1,088,128 | (54,402,746) |
| Net Position, Ending | | | | | \$ (49,068,737) | \$ 1,514,781 | \$ (47,553,956) |

SELINGROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2022

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service Fund</u> | <u>Other Governmental Fund</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|------------------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 12,474,961 | \$ - | \$ - | \$ - | \$ 12,474,961 |
| Restricted cash | - | 94,421 | 2,665,871 | 251,289 | 3,011,581 |
| Taxes receivable, net | 3,641,670 | - | - | - | 3,641,670 |
| Due from other funds | 1,177,520 | 2,800,000 | - | 69,564 | 4,047,084 |
| Due from other governments | 2,781,103 | - | - | - | 2,781,103 |
| Other receivables | 54,732 | - | - | - | 54,732 |
| Inventories | 38,931 | - | - | - | 38,931 |
| Prepaid expenses | 172,454 | - | - | - | 172,454 |
| TOTAL ASSETS | <u>\$ 20,341,371</u> | <u>\$ 2,894,421</u> | <u>\$ 2,665,871</u> | <u>\$ 320,853</u> | <u>\$ 26,222,516</u> |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Due to other funds | \$ 2,869,564 | \$ 79 | \$ 1,152,000 | \$ - | \$ 4,021,643 |
| Accounts payable | 2,665,902 | 318,710 | - | 2,798 | 2,987,410 |
| Accrued salaries and benefits | 1,176,414 | - | - | - | 1,176,414 |
| Payroll deductions and withholdings | 164,893 | - | - | - | 164,893 |
| Unearned revenue | 174,297 | - | - | - | 174,297 |
| Other current liabilities | 95,196 | - | - | - | 95,196 |
| TOTAL LIABILITIES | <u>7,146,266</u> | <u>318,789</u> | <u>1,152,000</u> | <u>2,798</u> | <u>8,619,853</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Unavailable revenue - taxes | <u>1,998,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,998,749</u> |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>1,998,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,998,749</u> |
| FUND BALANCE | | | | | |
| Nonspendable | | | | | |
| Inventories | 38,931 | - | - | - | 38,931 |
| Prepaid expenses | 172,454 | - | - | - | 172,454 |
| Restricted | | | | | |
| Special education ACCESS | 365,650 | - | - | - | 365,650 |
| Capital projects | - | 2,575,632 | - | - | 2,575,632 |
| Debt service | - | - | 1,513,871 | - | 1,513,871 |
| Scholarships | - | - | - | 136,379 | 136,379 |
| Student Activities | - | - | - | 181,676 | 181,676 |
| Committed | | | | | |
| Retiree healthcare | 2,570,371 | - | - | - | 2,570,371 |
| Real estate tax appeals | 200,000 | - | - | - | 200,000 |
| PSERS | 3,714,716 | - | - | - | 3,714,716 |
| Instructional support positions | 737,638 | - | - | - | 737,638 |
| Assigned | 92,008 | - | - | - | 92,008 |
| Unassigned | 3,304,588 | - | - | - | 3,304,588 |
| TOTAL FUND BALANCE | <u>11,196,356</u> | <u>2,575,632</u> | <u>1,513,871</u> | <u>318,055</u> | <u>15,603,914</u> |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | <u>\$ 20,341,371</u> | <u>\$ 2,894,421</u> | <u>\$ 2,665,871</u> | <u>\$ 320,853</u> | <u>\$ 26,222,516</u> |

SELINGROVE AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

JUNE 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 15,603,914

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

| | | |
|--------------------------------|---------------------|------------|
| Cost of capital assets | 92,469,224 | |
| Less: accumulated depreciation | <u>(56,467,910)</u> | |
| | | 36,001,314 |

Long-term liabilities and deferred inflows and outflows applicable to the District's governmental activities are applicable to future periods and, therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Long term liabilities and deferred inflows and outflows reported at June 30, 2022 are:

| | | |
|---|--------------------|---------------|
| General obligation debt | (26,725,000) | |
| Less: Deferred charge on refunding | 463,115 | |
| Unamortized bond (premiums)/discounts | (628,025) | |
| Compensated absences | (873,039) | |
| Accrued interest on bonds | (255,179) | |
| Net pension liability | (54,400,000) | |
| Pensions - Deferred Outflows of Resources | 9,305,013 | |
| Pensions - Deferred Inflows of Resources | (11,324,000) | |
| Other postemployment benefits (OPEB) | (21,763,647) | |
| OPEB - Deferred Outflows of Resources | 4,607,146 | |
| OPEB - Deferred Inflows of Resources | <u>(1,079,098)</u> | |
| | | (102,672,714) |

Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue - taxes in the funds.

1,998,749

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (49,068,737)

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

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service Fund</u> | <u>Other Governmental Fund</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|------------------------------|--|---|
| REVENUES | | | | | |
| Local sources | \$ 27,891,788 | \$ 400 | \$ 16,064 | \$ 187,351 | \$ 28,095,603 |
| State sources | 16,755,313 | - | - | - | 16,755,313 |
| Federal sources | 2,910,006 | - | - | - | 2,910,006 |
| TOTAL REVENUES | <u>47,557,107</u> | <u>400</u> | <u>16,064</u> | <u>187,351</u> | <u>47,760,922</u> |
| EXPENDITURES | | | | | |
| Instruction | 26,942,235 | - | - | - | 26,942,235 |
| Support services | 13,559,136 | - | - | 101 | 13,559,237 |
| Operation of non-instructional services | 1,016,493 | - | - | 184,026 | 1,200,519 |
| Capital outlay | 185,684 | 1,351,203 | - | - | 1,536,887 |
| Debt service | | | | | |
| Principal | - | - | 2,855,000 | - | 2,855,000 |
| Interest | - | - | 847,288 | - | 847,288 |
| TOTAL EXPENDITURES | <u>41,703,548</u> | <u>1,351,203</u> | <u>3,702,288</u> | <u>184,127</u> | <u>46,941,166</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 5,853,559 | (1,350,803) | (3,686,224) | 3,224 | 819,756 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of fixed assets | 11,418 | - | - | - | 11,418 |
| Transfers in | - | 1,600,000 | 3,600,000 | 5,155 | 5,205,155 |
| Transfers out | (5,205,155) | - | - | - | (5,205,155) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(5,193,737)</u> | <u>1,600,000</u> | <u>3,600,000</u> | <u>5,155</u> | <u>11,418</u> |
| NET CHANGE IN FUND BALANCES | 659,822 | 249,197 | (86,224) | 8,379 | 831,174 |
| FUND BALANCES - BEGINNING | <u>10,536,534</u> | <u>2,326,435</u> | <u>1,600,095</u> | <u>309,676</u> | <u>14,772,740</u> |
| FUND BALANCES - ENDING | <u>\$ 11,196,356</u> | <u>\$ 2,575,632</u> | <u>\$ 1,513,871</u> | <u>\$ 318,055</u> | <u>\$ 15,603,914</u> |

SELINGROVE AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 831,174

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and net book value of disposed capital assets in the current period.

| | | | |
|----------------------------|----|--------------------|-----------|
| Capital outlays | \$ | 2,937,616 | |
| Disposal of capital assets | | (237,087) | |
| Depreciation expense | | <u>(3,451,777)</u> | (751,248) |

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned tax revenue from 6/30/21 to 6/30/22. 166,507

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting.

| | | | |
|--|----|---------------|-----------|
| Compensated absences expense | \$ | (16,541) | |
| Other postemployment benefits expense | | (705,863) | |
| Amortization of debt premium/discount | | 171,781 | |
| Amortization of deferred interest from refunding | | (165,785) | |
| Pension benefit expense | | 4,008,778 | |
| Accrued interest on long-term debt | | <u>28,334</u> | 3,320,704 |

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

| | | | |
|--------------------|--|--|------------------|
| Principal payments | | | <u>2,855,000</u> |
|--------------------|--|--|------------------|

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 6,422,137**

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2022

| | <u>Food Service</u> |
|---|-------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 968,370 |
| Receivables | 33,263 |
| Due from other governments | 15,401 |
| Inventories | 139,385 |
| TOTAL CURRENT ASSETS | <u>1,156,419</u> |
| NON-CURRENT ASSETS | |
| Building improvements (net) | 359,862 |
| Furniture and equipment (net) | 145,594 |
| TOTAL NON-CURRENT ASSETS | <u>505,456</u> |
| TOTAL ASSETS | <u>\$ 1,661,875</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 69,980 |
| Due to other funds | 25,441 |
| Unearned revenues | 45,462 |
| TOTAL CURRENT LIABILITIES | <u>140,883</u> |
| NON-CURRENT LIABILITIES | |
| Long-term portion of compensated absences | 6,211 |
| TOTAL NON-CURRENT LIABILITIES | <u>6,211</u> |
| TOTAL LIABILITIES | <u>\$ 147,094</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 505,456 |
| Unrestricted | 1,009,325 |
| TOTAL NET POSITION | <u>1,514,781</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 1,661,875</u> |

See notes to the financial statements
which are an intergral part of this statement

SELINGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2022

| | Food Service |
|---|-----------------|
| OPERATING REVENUES | |
| Food service revenues | \$ 190,401 |
| Other operating revenues | 77,936 |
| TOTAL OPERATING REVENUES | 268,337 |
| OPERATING EXPENSES | |
| Salaries | 437,714 |
| Employee benefits | 236,282 |
| Purchased services | 66,156 |
| Supplies | 687,833 |
| Depreciation | 54,812 |
| Other operating expenses | 18,118 |
| TOTAL OPERATING EXPENSES | 1,500,915 |
| OPERATING LOSS | (1,232,578) |
| NON-OPERATING REVENUES | |
| Earnings on investments | 2 |
| State sources | 122,251 |
| Federal sources | 1,536,978 |
| TOTAL NON-OPERATING REVENUES | 1,659,231 |
| CHANGE IN NET POSITION | 426,653 |
| NET POSITION - BEGINNING OF YEAR | 1,088,128 |
| NET POSITION - END OF YEAR | \$ 1,514,781 |

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2022

| | Food Service |
|--|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from users | \$ 174,990 |
| Cash received from other operating revenue | 44,673 |
| Cash payments to employees for services | (655,386) |
| Cash payments to suppliers for goods and services | (794,796) |
| NET CASH USED FOR OPERATING ACTIVITIES | (1,230,519) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| State sources | 121,816 |
| Federal sources | 1,522,012 |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 1,643,828 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Outlay | (33,509) |
| NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES | (33,509) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Earnings on investments | 2 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 2 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 379,802 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 588,568 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 968,370 |
| OPERATING LOSS | \$ (1,232,578) |
| ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Changes in current assets and current liabilities | |
| Depreciation | 54,812 |
| Increase in accounts payable | 63,618 |
| Increase in receivables | (33,263) |
| Increase in inventories | (86,307) |
| Decrease in unearned revenue | (15,411) |
| Increase in compensated absences | 159 |
| Increase in due to other funds | 18,451 |
| TOTAL ADJUSTMENTS | 2,059 |
| TOTAL CASH USED FOR OPERATING ACTIVITIES | \$ (1,230,519) |
| SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS | |
| Donated commodities | \$ 124,338 |

See notes to the financial statements
which are an intergral part of this statment

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

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Selingsgrove Area School District (the "School District") is governed by the Selingsgrove Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture

The District participates in the SUN Area Technical Institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ATI; and the SUN ATI is maintained in a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocated expenditures is refundable by the SUN ATI to the member districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

Audited financial statements for the year ended June 30, 2022 for the SUN ATI are available at its business office.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Proprietary Funds

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Basis of Presentation (Continued)

Governmental Fund Types (Continued)

- The Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related costs of the District's general long-term debt.

Additionally the District reports the following Other Governmental Funds:

- The Scholarship Funds are used to account for assets held by the District under an agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs. However, the District has the ability to direct how the funds are applied towards their intended purposes established.
- Student Activity Funds account for assets held by the District for various student activities. The District has the ability to direct how the funds are applied towards their intended purposes established.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

2. Restricted Assets

Restricted Assets represent revenues set-aside for liquidation of specific obligations, as detailed in Note 4.

3. Investments

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. The District's investment in external investments pools are valued at amortized cost and the certificates of deposit are valued at fair value.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds." All receivables are shown net of an allowance for doubtful accounts.

5. Inventories

Inventories are recorded using the consumption method of accounting and consist of instructional materials, purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the financial statements, commodities received are recorded as deferred until consumed.

6. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: equipment - \$5,000, vehicles - \$10,000, and building improvements - \$25,000. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Intangible assets, such as computer software, are grouped with furniture and equipment in the financial statements and are being depreciated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

7. Capital Assets (Continued)

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

| <u>Description</u> | <u>Estimated Useful Lives</u> |
|------------------------------------|-------------------------------|
| Site Improvements | 20 years |
| Building and Building Improvements | 10-30 years |
| Furniture, Equipment, and Vehicles | 5-15 years |

8. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

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

10. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Unearned Revenues (Continued)

In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

11. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

12. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

13. Accounting Estimates

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

14. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

15. Deferred Inflows/Outflows of Resources

The Statements of Net Position and Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

15. Deferred Inflows/Outflows of Resources (Continued)

The District has four items that qualify for reporting in these categories: deferred outflows related to refunding bonds, deferred outflows and inflows related to pensions, deferred outflows and inflows related to other postemployment benefits, and unavailable tax revenue.

Deferred outflows on refunding bonds are the result of differences in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows and inflows of resources related to pensions are described further in Note 10 and deferred outflows and inflows of resources related to other postemployment benefits are described further in Note 11. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

16. PSERS Pension and OPEB

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

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 87, "Leases". The adoption of this statement resulted in additional disclosure (see Note 13).

The District adopted the provisions of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The adoption of this statement did not result in modification of previously reported amounts.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Adoption of Governmental Accounting Standards Board Statements (Continued)

The District adopted the provisions of GASB Statement No. 92, *"Omnibus 2020"*. The adoption of this statement did not result in modification of previously reported amounts.

The District partially adopted the provisions of GASB Statement No. 99, *"Omnibus 2022"*. The adoption of this statement did not result in modification of previously reported amounts.

I. Pending Changes in Accounting Principles

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

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

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

In April 2022, the GASB issued Statement No. 99, *"Omnibus 2022"*. The provisions of Statement No. 99 are effective as follows:

- The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the District's fiscal year 2023 financial statements.
- The requirements related to financial guarantees and the reporting of derivative instruments are effective for the District's fiscal year 2024 financial statements.

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

In June 2022, the GASB issued Statement No. 101, *"Compensated Absences"*. The District is required to adopt the provisions of Statement No. 101 for its fiscal year 2025 financial statements.

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between funds accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of June 30, 2022, the District's cash balances for its governmental activities and business-type activities were \$16,454,912 and its bank balances were \$16,524,354. Of these bank balances, \$15,699,083 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. At June 30, 2022, the District had investments classified as cash equivalents in money market holdings of \$75,271 of which \$5,007 was invested in external investment pools as described in more detail below.

At June 30, 2022, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$1,127 and the Pennsylvania Local Government Investment Trust (PLGIT) of \$3,880.

PSDLAF and PLGIT were established to enable school districts and other local government agencies to pool funds for investments in instruments authorized by section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Participation in External Investment Pools. Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by PricewaterhouseCoopers LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at www.psdlaf.org.

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

The Pennsylvania Local Government Investment Trust (PLGIT) I-Class is a 2a7-like pool. The District's investment in PLGIT is reported at amortized cost, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustee and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP. The pool is rated AAA by Standard & Poor's. PLGIT issues separate financial statements available at www.plgit.com.

Restrictions on Qualified Investment Pool Withdrawals. There are no restrictions on the number of withdrawals per calendar month from the PLGIT account. The PSDLAF investments are limited to one withdrawal per week.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4: RESTRICTED CASH

Assets whose use is limited to a specific purpose have been classified as "restricted" in the balance sheet. Restricted assets are composed of the following:

Governmental Funds

Restricted Cash

| | | |
|---|----|------------------|
| Cash Restricted for Scholarship | \$ | 66,815 |
| Cash Restricted for Student Activities | | 184,474 |
| Cash Restricted for Future Capital Projects | | 94,421 |
| Cash Restricted for Debt Service Payments | | 2,665,871 |
| Total Restricted Cash | \$ | <u>3,011,581</u> |

NOTE 5: TAXES ASSESSED

The following is a listing of the taxes assessed along with their respective tax levy:

| Tax Type | Millage/Rate | Tax Levied |
|------------------------------|---------------|----------------------|
| Real Estate – Snyder County | 70.50 mills | \$ 18,652,535 |
| Per Capita Tax – Act 511 | \$5.00/person | 62,000 |
| Per Capita Tax – Section 679 | \$5.00/person | 62,000 |
| Total Assessed Valuation | | <u>\$ 18,776,535</u> |

Real estate taxes are assessed on August 1, of each year and become due and payable on that date. Taxpayers are given a two percent discount if they pay their taxes by September 30. All taxes levied on August 1, become delinquent on December 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded in January.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 5: TAXES ASSESSED (CONTINUED)

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. Delinquent taxes receivable at June 30, 2022 were \$583,636. An allowance has been established to recognize the uncollectible portion in the amount of \$9,176.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2022 as related to the District's governmental activities and business-type activities:

Governmental Activities:

| | |
|------------------------------|--------------|
| Commonwealth of Pennsylvania | |
| State Sources | \$ 1,402,829 |
| Federal Sources | 961,813 |
| Local Government | 416,461 |
| Total | \$ 2,781,103 |

Business-Type Activities:

| | |
|------------------------------|-----------|
| Commonwealth of Pennsylvania | |
| State Sources | \$ 436 |
| Federal Sources | 14,965 |
| Total | \$ 15,401 |

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 7: CAPITAL ASSETS

A summary of capital assets for governmental activities for the year ended June 30, 2022 is as follows:

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|--|-------------------------|---------------------|-------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 501,269 | \$ - | \$ - | \$ 501,269 |
| Construction in Progress | 237,087 | 507,152 | 237,087 | 507,152 |
| Total capital assets, not being depreciated | 738,356 | 507,152 | 237,087 | 1,008,421 |
| Capital assets being depreciated | | | | |
| Site Improvements | 6,828,334 | 622,629 | - | 7,450,963 |
| Buildings and Building Improvements | 65,913,895 | 722,984 | - | 66,636,879 |
| Furniture, Equipment, and Vehicles | 16,469,210 | 1,084,851 | 181,100 | 17,372,961 |
| Total capital assets being depreciated | 89,211,439 | 2,430,464 | 181,100 | 91,460,803 |
| Less accumulated depreciation: | | | | |
| Site Improvements | 4,508,330 | 405,051 | - | 4,913,381 |
| Buildings and Building Improvements | 34,295,021 | 2,206,528 | - | 36,501,549 |
| Furniture, Equipment, and Vehicles | 14,393,882 | 840,198 | 181,100 | 15,052,980 |
| Total accumulated depreciation | 53,197,233 | 3,451,777 | 181,100 | 56,467,910 |
| Total capital assets being depreciated, net | 36,014,206 | (1,021,313) | - | 34,992,893 |
| Governmental activities, capital assets, net | <u>\$ 36,752,562</u> | <u>\$ (514,161)</u> | <u>\$ 237,087</u> | <u>\$ 36,001,314</u> |

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|---|-------------------------|--------------------|-------------|--------------------------|
| Business-Type Activities: | | | | |
| Capital assets being depreciated | | | | |
| Building and Building Improvements | \$ 615,956 | \$ - | \$ - | \$ 615,956 |
| Furniture and Equipment | 512,874 | 33,509 | 3,522 | 542,861 |
| Total capital assets being depreciated | 1,128,830 | 33,509 | 3,522 | 1,158,817 |
| Less accumulated depreciation: | | | | |
| Building and Building Improvements | 231,708 | 24,386 | - | 256,094 |
| Furniture and Equipment | 370,363 | 30,426 | 3,522 | 397,267 |
| Total accumulated depreciation | 602,071 | 54,812 | 3,522 | 653,361 |
| Total capital assets being depreciated, net | 526,759 | (21,303) | - | 505,456 |
| Business-type activities, capital assets, net | <u>\$ 526,759</u> | <u>\$ (21,303)</u> | <u>\$ -</u> | <u>\$ 505,456</u> |

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 7: CAPITAL ASSETS (CONTINUED)

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

| | |
|--|---------------------|
| Government Activities: | |
| Instruction | \$ 2,230,822 |
| Instructional Student Support | 390,385 |
| Administrative and Financial Support Service | 293,303 |
| Operation and Maintenance of Plan Service | 291,319 |
| Pupil Transportation | 147,865 |
| Student Activities | 94,069 |
| Community Services | 4,014 |
| Total Depreciation Expense | <u>\$ 3,451,777</u> |

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2022, the District's long-term debt consisted of the following:

| | Balance at July 1, 2021 | Additions | Deletions | Balance at June 30, 2022 | Due Within One Year |
|----------------------------------|----------------------------|-------------------|----------------------|-----------------------------|------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 29,580,000 | \$ - | \$ 2,855,000 | \$ 26,725,000 | \$ 2,915,000 |
| Less: Bond Premium/(Discount) | 799,806 | - | 171,781 | 628,025 | - |
| Compensated Absences | 856,498 | 16,541 | - | 873,039 | 32,500 |
| Net Pension Liability | 67,901,000 | - | 13,501,000 | 54,400,000 | - |
| Other Post Employment Benefits | 21,656,535 | 107,112 | - | 21,763,647 | - |
| Total Long Term Obligations | <u>\$ 120,793,839</u> | <u>\$ 123,653</u> | <u>\$ 16,527,781</u> | <u>\$ 104,389,711</u> | <u>\$ 2,947,500</u> |
| Business-Type Activities: | | | | | |
| Compensated Absences | <u>\$ 6,052</u> | <u>\$ 159</u> | <u>\$ -</u> | <u>\$ 6,211</u> | <u>\$ -</u> |

The net pension liability and other postemployment benefits liability are paid from the general fund.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

Pertinent information regarding long-term debt obligations outstanding is presented below:

| General Obligation Debt: | Purpose | Amounts Issued | Amounts Outstanding |
|-----------------------------|--|-------------------|-----------------------------|
| Series of 2016 | In 2016, the District issued General Obligation Bonds Series of 2016 for the purpose of currently refunding a portion of the General Obligation Bonds Series of 2011. The bonds mature serially through 2024 with interest rates of 2.00% to 3.00%. | \$ 9,710,000 | \$ 3,880,000 |
| Series of 2018 | In 2018, the District issued General Obligation Bonds Series of 2018 for the purpose of financing capital projects. The bonds mature serially through 2030 with interest rates of 2.375% to 4.000%. | 9,995,000 | 9,435,000 |
| Series A of 2019 | In 2019, the District issued General Obligation Bonds Series A of 2019 for the purpose of currently refunding the General Obligation Bonds Series A of 2012 and paying the costs and expenses of issuing the Series A Bonds. The bonds mature serially through 2025 with interest rates of 1.20% to 1.45%. | 2,295,000 | 1,520,000 |
| Series B of 2019 | In 2019, the District issued General Obligation Bonds Series B of 2019 for the purpose of currently refunding the General Obligation Bonds Series B of 2012 and paying the costs and expenses of issuing the Series B Bonds of 2019. The bonds mature serially through 2027 with interest rates of 1.20% to 1.63%. | 5,090,000 | 4,740,000 |
| Series C of 2019 | In 2019, the District issued General Obligation Bonds Series C of 2019 for the purpose of currently refunding all of the General Obligation Bonds Series of 2013 and paying the costs and expenses of issuing the Series C Bonds. The bonds mature serially through 2028 with interest rates of 1.30% to 1.60%. | 7,910,000 | 7,150,000 |
| Total | | | <u><u>\$ 26,725,000</u></u> |

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds as of June 30, 2022:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|----------------------|---------------------|----------------------|
| 2023 | \$ 2,915,000 | \$ 761,538 | \$ 3,676,538 |
| 2024 | 2,945,000 | 692,938 | 3,637,938 |
| 2025 | 3,615,000 | 633,300 | 4,248,300 |
| 2026 | 4,150,000 | 501,400 | 4,651,400 |
| 2027 | 4,095,000 | 359,000 | 4,454,000 |
| 2028-2030 | 9,005,000 | 534,100 | 9,539,100 |
| | <u>\$ 26,725,000</u> | <u>\$ 3,482,276</u> | <u>\$ 30,207,276</u> |

NOTE 9: COMPENSATED ABSENCES

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------|------------------------------------|-------------------------------------|-------------------|
| Balance, July 1, 2021 | \$ 856,498 | \$ 6,052 | \$ 862,550 |
| Additions/(Reductions) | 16,541 | 159 | 16,700 |
| Balance, June 30, 2022 | <u>\$ 873,039</u> | <u>\$ 6,211</u> | <u>\$ 879,250</u> |

Compensated absences are paid from the General Fund and Food Service Fund.

NOTE 10: PENSION BENEFITS

General Information about the Pension Plan

Plan Description

The Pennsylvania Public School Employees' Retirement System ("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.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, 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) preserved 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 T-F members, the right to benefits is vested after ten years of service.

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

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

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Saving Account upon termination of public school employment.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll, which includes 0.15% for the Act 5 defined contribution plan members, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$6,471,013 for the year ended June 30, 2022.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rates are as follows:

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

* This contribution rate is subject to a shared risk provision as follows:

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

At June 30, 2022, the District reported a liability of \$54,400,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.1325 percent, which was an decrease of 0.0054 from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$2,459,000. At June 30, 2022, the District 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 |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual investment earnings | \$ - | \$ 8,660,000 |
| Changes in proportion | 155,000 | 1,949,000 |
| Changes in assumptions | 2,639,000 | |
| Difference between expected and actual experience | 40,000 | 715,000 |
| Contributions subsequent to the measurement date | 6,471,013 | - |
| Total | \$ 9,305,013 | \$ 11,324,000 |

\$6.471 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

| Year ended June 30: | |
|----------------------------|-----------------------|
| 2023 | \$ (2,332,000) |
| 2024 | (1,658,000) |
| 2025 | (1,703,000) |
| 2026 | (2,797,000) |
| Total | \$ (8,490,000) |

Actuarial Assumptions

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

- Investment rate of return was 7.00%
- The inflation assumption was 2.50%

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

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

Changes in Actuarial Assumptions:

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

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

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

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

Actuarial Assumptions (Continued)

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

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

Discount Rate

The discount rate used to measure the total 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 District's proportionate share of the net pension liability to change in the discount rate

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

| | 1% Decrease 6.00% | Current discount rate 7.00% | 1% Increase 8.00% |
|---|------------------------------|--|------------------------------|
| District's proportionate share of the net pension liability | \$ 71,402,000 | \$ 54,400,000 | \$ 40,058,000 |

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Pension plan fiduciary net position

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

At June 30, 2022, the District reported a payable of \$1,689,779 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Act 5 of 2017

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

District Specific Plan

Plan Description

Plan Administration. The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded, and no financial report is prepared.

Plan Membership. As of June 30, 2022, the Plan's membership consisted of the following:

| | |
|----------------------|-----|
| Active Participants | 237 |
| Retired Participants | 41 |
| Total | 278 |

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Plan Description (Continued)

Benefits Provided. The Plan provides healthcare benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer and vary depending on employee classification and years of service of the retiree. The District covers the full medical and prescription coverage for a retired assistant superintendent and eligibility dependents, but requires the retiree to contribute 4% of the plan premium, which may be reduced by 1% for every 40 unused sick days accumulated. The District pays the full premium for medical and prescription drugs for teachers and administrators who retired prior to 7/1/16 with at least 10 years of district service who retired before 9/1/2000 and requires participants who retire after 9/1/2000 to pay a supplemental amount of \$100 per month. Administrators retiring after 7/1/16 through PSERS with at least 8 years of district service are provided with medical and prescription drug coverage with a premium share, which can be reduced by 1% for every 40 unused sick days accumulated, as follows based on Single, H/W, and Family, respectively: retired 2016-2017 (6.5%, 10%, and 23%); retired 2017-2018 (4.5%, 8%, and 23%); retired 2018-2019 (6.5%, 10%, and 23%); and retiring after 2019 (10%, 13.5%, and 23%).

Teachers retiring after 7/1/16 are provided with medical and prescription drug coverage with a premium share, which can be reduced by 1% for every 40 unused sick days accumulated, as follows:

| Retirement | Eligibility | Premium Share |
|------------|---|---|
| 2016-2017 | Age 52, 15 years district service OR Age 60 with 10 years district service | Age 52: 6.5% single, 40% others Age 53: 6.5% single, 35% others Age 54: 6.5% single, 30% others Age 55+: 6.5% single, 23% others |
| 2017-2018 | Age 53, 15 years of district service OR Age 60 with 10 years of district service | Age 53: 4.5% single, 35% others Age 54: 4.5% single, 30% others Age 55+: 4.5% single, 23% others |
| 2018-2019 | Age 54, 15 years of district service OR Age 60 with 10 years of district service | Age 54: 4.5% single, 30% others Age 55+: 4.5% single, 23% others |
| After 2019 | Age 55, 15 years of district service OR Age 60 with 10 years of district service | Age 55+: 10% single, 23% others |

Classified employees who have 30 years of PSERS service or reach PSERS superannuation retirements are entitled to receive medical and prescription drug coverage for a premium. The School Board of Directors has the authority to periodically negotiate the benefit terms established in the bargaining agreements.

Contributions. The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Total OPEB Liability

The District's total OPEB liability of \$18,636,647 was measured as of July 1, 2021 and was rolled forward using the actuarial assumptions from the actuarial valuation date of July 1, 2020.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.50% |
| Salary Increases | 3.50% average, including inflation |
| Discount Rate | 2.28% (adjusted 7/1/2021) |
| Healthcare Cost Trend Rates | 5.50% for 2020 through 2023, decreasing to 5.40% in 2024, to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. |

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2020 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2022 was as follows:

| | <u>Total OPEB Liability</u> |
|------------------------|---------------------------------|
| Beginning Balance | \$ 18,683,535 |
| Service Cost | 1,091,119 |
| Interest | 358,361 |
| Changes in Assumptions | (558,704) |
| Benefit Payments | <u>(937,664)</u> |
| Net Changes | <u>(46,888)</u> |
| Ending Balance | <u>\$ 18,636,647</u> |

Changes in assumptions reflect a change in the discount rate from 1.86% to 2.28%.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.5%) or 1-percentage higher (6.5%) than the current discount rate:

| | 1% Decrease 4.5% | Current trend rate 5.5% | 1% Increase 6.5% |
|---------------------------------|-----------------------------|------------------------------------|---------------------------------|
| District's total OPEB liability | \$ 16,473,610 | \$ 18,636,647 | \$ 21,191,487 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.28%) or 1-percentage higher (3.28%) than the current discount rate:

| | 1% Decrease 1.28% | Current discount rate 2.28% | 1% Increase 3.28% |
|---------------------------------|------------------------------|--|------------------------------|
| District's total OPEB liability | \$ 19,989,200 | \$ 18,636,647 | \$ 17,362,053 |

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,720,640. At June 30, 2022, the District reported deferred outflows related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Changes in assumptions | \$ 1,775,906 | \$ 843,084 |
| Difference between expected and actual experience | 1,260,923 | 23,014 |
| Contributions subsequent to the measurement date | 1,012,682 | - |
| Total | \$ 4,049,511 | \$ 866,098 |

The \$1,012,682 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended June 30, 2023. Other deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | | |
|----------------------------|--|--------------|
| 2023 | | \$ 271,160 |
| 2024 | | 271,160 |
| 2025 | | 271,160 |
| 2026 | | 271,160 |
| 2027 | | 271,160 |
| Thereafter | | 814,931 |
| Total | | \$ 2,170,731 |

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, 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 administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

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

Benefits Provided

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

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$151,635 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$3,127,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2022, the District's proportion was 0.1319 percent, which was a decrease of 0.0057 from its proportion measured as of June 30, 2021.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$148,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual investment earnings | \$ 6,000 | \$ - |
| Difference between expected and actual experience | 29,000 | - |
| Changes in assumptions | 333,000 | 42,000 |
| Changes in proportion | 38,000 | 171,000 |
| Contributions subsequent to the measurement date | 151,635 | - |
| Total | \$ 557,635 | \$ 213,000 |

\$151,635 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|----------------------------|-------------------|
| 2023 | \$ 12,000 |
| 2024 | 11,000 |
| 2025 | 66,000 |
| 2026 | 46,000 |
| 2027 | 34,000 |
| Thereafter | 24,000 |
| Total | \$ 193,000 |

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and 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 RP-2020 Mortality Improvement Scale.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

Actuarial Assumptions (Continued)

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

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, 2015.

Changes in Actuarial Assumptions

- The discount rate decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 valuation, mortality rates are based on a blend of 50% PubT-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Actuarial Assumptions (Continued)

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 were:

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 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 District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

| | <u>1% Decrease 4% to 6.5%</u> | <u>Current discount rate 5% to 7.5%</u> | <u>1% Increase 6% to 8.5%</u> |
|--|-----------------------------------|---|-----------------------------------|
| District's proportionate share of the net OPEB liability | \$ 3,126,000 | \$ 3,127,000 | \$ 3,127,000 |

SELINGROVE AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

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

| | 1% Decrease 1.18% | Current discount rate 2.18% | 1% Increase 3.18% |
|--|------------------------------|--|----------------------------------|
| District's proportionate share of net OPEB liability | \$ 3,588,000 | \$ 3,127,000 | \$ 2,747,000 |

OPEB plan fiduciary net position.

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

At June 30, 2022 the District reported a payable of \$39,394 for the outstanding amount of contributions to the OPEB plan.

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage.

NOTE 13: COMMITMENTS AND CONTINGENCIES

The District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the District.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2022 may be impaired. In the opinion of the District, 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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 13: COMMITMENTS AND CONTINGENCIES (CONTINUED)

The District has contractual obligations with various contractors for roof replacement and stadium lights improvements of approximately \$372,396 as of June 30, 2022. The District expects to finance these outstanding commitments from the capital projects fund.

The District has entered into a contracted transportation service agreement with an external party to provide busing service for elementary and secondary pupils. This agreement does not meet the criteria of a lease under GASB 87 as the terms and conditions for payment specify a rate of reimbursement per mile calculated by the Commonwealth. Since the payments are variable based on the usage of the underlying asset, the District has not recorded a liability in the financial statements for this agreement in accordance with GASB 87.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2022 are as follows:

| | Interfund Receivable | Interfund Payable | Transfer In | Transfer Out |
|-----------------------|-------------------------|----------------------|---------------------|---------------------|
| General Fund | \$ 1,177,520 | \$ 2,869,564 | \$ - | \$ 5,205,155 |
| Capital Projects Fund | 2,800,000 | 79 | 1,600,000 | - |
| Debt Service Fund | - | 1,152,000 | 3,600,000 | - |
| Scholarship Fund | 69,564 | - | 5,155 | - |
| Food Service Fund | - | 25,441 | - | - |
| Total | <u>\$ 4,047,084</u> | <u>\$ 4,047,084</u> | <u>\$ 5,205,155</u> | <u>\$ 5,205,155</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

Transfers from the general fund are used to reimburse other funds for debt service payments, finance additional capital outlay, and relay scholarship contributions.

NOTE 15: SUBSEQUENT EVENTS

The District had evaluated all subsequent events through the report issue date of January 18, 2023. No events have taken place that effect the financial statements or require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Local sources | \$ 26,785,191 | \$ 26,785,191 | \$ 27,891,788 | \$ 1,106,597 |
| State sources | 16,556,575 | 16,556,575 | 16,755,313 | 198,738 |
| Federal sources | 995,487 | 2,954,122 | 2,910,006 | (44,116) |
| TOTAL REVENUES | <u>44,337,253</u> | <u>46,295,888</u> | <u>47,557,107</u> | <u>1,261,219</u> |
| EXPENDITURES | | | | |
| Instruction: | | | | |
| Regular programs | 18,521,410 | 19,806,387 | 19,407,740 | 398,647 |
| Special programs | 5,044,489 | 5,062,721 | 4,871,470 | 191,251 |
| Vocational programs | 2,681,750 | 2,681,750 | 2,569,816 | 111,934 |
| Other instructional programs | 143,000 | 170,221 | 93,209 | 77,012 |
| Nonpublic school programs | 8,192 | 8,192 | - | 8,192 |
| Total Instruction | <u>26,398,841</u> | <u>27,729,271</u> | <u>26,942,235</u> | <u>787,036</u> |
| Support Services: | | | | |
| Pupil personnel services | 2,384,965 | 2,444,665 | 2,275,086 | 169,579 |
| Instructional staff services | 2,057,330 | 2,167,983 | 1,937,480 | 230,503 |
| Administrative services | 2,210,121 | 2,299,284 | 2,232,894 | 66,390 |
| Pupil health | 493,249 | 512,327 | 501,660 | 10,667 |
| Business services | 504,700 | 512,342 | 494,728 | 17,614 |
| Operation and maintenance of plant services | 3,302,457 | 3,733,605 | 3,518,095 | 215,510 |
| Student transportation services | 1,898,750 | 1,896,071 | 1,785,804 | 110,267 |
| Central and other support services | 894,095 | 894,095 | 813,389 | 80,706 |
| Total Support Services | <u>13,745,667</u> | <u>14,460,372</u> | <u>13,559,136</u> | <u>901,236</u> |
| Operation of non-instructional services: | | | | |
| Student activities | 958,856 | 985,856 | 968,016 | 17,840 |
| Community services | 42,886 | 49,386 | 48,477 | 909 |
| Debt service | 120,000 | - | - | - |
| Total Operation of non-instructional service | <u>1,121,742</u> | <u>1,035,242</u> | <u>1,016,493</u> | <u>18,749</u> |
| Facilities acquisition, construction, and improvement services | - | 185,684 | 185,684 | - |
| TOTAL EXPENDITURES | <u>41,266,250</u> | <u>43,410,569</u> | <u>41,703,548</u> | <u>1,707,021</u> |
| EXCESS REVENUES OVER EXPENDITURES | <u>3,071,003</u> | <u>2,885,319</u> | <u>5,853,559</u> | <u>2,968,240</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | (3,300,000) | (3,300,000) | (5,205,155) | (1,905,155) |
| Budgetary reserve | (223,000) | (223,000) | - | 223,000 |
| Proceeds from sale of fixed assets | - | - | 11,418 | 11,418 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(3,523,000)</u> | <u>(3,523,000)</u> | <u>(5,193,737)</u> | <u>(1,670,737)</u> |
| NET CHANGE IN FUND BALANCES | <u>(451,997)</u> | <u>(637,681)</u> | <u>659,822</u> | <u>1,297,503</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>10,223,972</u> | <u>10,223,972</u> | <u>10,536,534</u> | <u>312,562</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 9,771,975</u> | <u>\$ 9,586,291</u> | <u>\$ 11,196,356</u> | <u>\$ 1,610,065</u> |

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN
 JUNE 30, 2022

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 887,906 | \$ 886,559 | \$ 860,240 | \$ 848,790 | \$ 1,091,119 |
| Interest | 374,868 | 488,691 | 497,960 | 558,531 | 358,361 |
| Changes of benefit terms | - | (1,271,961) | - | - | - |
| Differences between expected and actual experience | - | 1,891,383 | - | (28,128) | - |
| Changes of assumptions or other inputs | 210,373 | 47,047 | (446,894) | 1,991,971 | (558,704) |
| Benefit payments | (969,467) | (866,322) | (962,599) | (1,007,600) | (937,664) |
| Net change in total OPEB liability | 503,680 | 1,175,397 | (51,293) | 2,363,564 | (46,888) |
| Total OPEB liability - beginning | 14,692,187 | 15,195,867 | 16,371,264 | 16,319,971 | 18,683,535 |
| Total OPEB liability - ending | <u>\$ 15,195,867</u> | <u>\$ 16,371,264</u> | <u>\$ 16,319,971</u> | <u>\$ 18,683,535</u> | <u>\$ 18,636,647</u> |
| Covered payroll | \$ 17,071,966 | \$ 17,387,037 | \$ 17,387,037 | \$ 17,040,682 | \$ 17,040,682 |
| District's total OPEB liability as a percentage of covered payroll | 89.01% | 94.16% | 93.86% | 109.64% | 109.37% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Benefit changes:

Effective 7/1/18: Teachers and administrators will contribute the greater of the PSERS Supplement or a premium share ranging from 6.5% to 40% based on coverage selected.

Changes in assumptions:

Effective 7/1/18: The discount rate changed from 3.13% to 2.98% and trend assumptions were updated.
 Effective 7/1/19: The discount rate changed from 2.98% to 3.36%.
 Effective 7/1/20: The discount rate changed from 3.36% to 1.86% and trend assumptions were updated.
 Effective 7/1/21: The discount rate changed from 1.86% to 2.28%.

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN
 JUNE 30, 2022

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|-------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability | 0.1449% | 0.1337% | 0.1370% | 0.1375% | 0.1376% | 0.1319% |
| District's proportionate share of the net OPEB liability \$ | 3,121,000 | \$ 2,724,000 | \$ 2,856,000 | \$ 2,924,000 | \$ 2,973,000 | \$ 3,127,000 |
| District's covered payroll \$ | 18,762,341 | \$ 17,800,896 | \$ 18,454,769 | \$ 18,957,745 | \$ 19,319,548 | \$ 18,702,336 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 17% | 15% | 15% | 15% | 15% | 17% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5% | 6% | 6% | 6% | 6% | 5% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SELINGROVE SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN
 JUNE 30, 2022

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually determined contribution | \$ 148,000 | \$ 153,286 | \$ 157,192 | \$ 162,036 | \$ 153,540 | \$ 151,635 |
| Contributions in relation to the contractually determined contribution | <u>148,000</u> | <u>153,286</u> | <u>157,192</u> | <u>162,036</u> | <u>153,540</u> | <u>151,635</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 17,800,896 | \$ 18,454,769 | \$ 18,957,745 | \$ 19,319,548 | \$ 18,702,336 | \$ 18,995,092 |
| Contributions as a percentage of covered payroll | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

The covered payroll amount has been revised from prior year presentation to reflect adjustments processed by PSERS.

Selinsgrove Area School District

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

Required Supplemental Information

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.1313% | 0.1390% | 0.1449% | 0.1337% | 0.1370% | 0.1375% | 0.1379% | 0.1325% |
| District's proportionate share of the net pension liability | \$ 53,474,000 | \$ 60,208,000 | \$ 71,808,000 | \$ 66,032,000 | \$ 65,767,000 | \$ 64,326,000 | \$ 67,901,000 | \$ 54,400,000 |
| District's covered payroll | \$ 17,242,979 | \$ 17,886,984 | \$ 18,762,341 | \$ 17,800,896 | \$ 18,454,769 | \$ 18,957,745 | \$ 19,319,548 | \$ 18,702,336 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 310% | 337% | 383% | 371% | 356% | 339% | 351% | 291% |
| Plan fiduciary net position as a percentage of the total pension liability | 57% | 54% | 50% | 52% | 54% | 56% | 56% | 64% |

The District adopted GASB 68 on a prospective basis in 2015; therefore, only eight years are present in the above schedule.

Selinsgrove Area School District

Schedule of District Contributions - Pension Plan - Last 10 Years

Required Supplemental Information

| Fiscal Year End | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 3,622,331 | \$ 4,645,586 | \$ 5,160,732 | \$ 5,821,450 | \$ 6,174,035 | \$ 6,452,502 | \$ 6,308,235 | \$ 6,471,013 |
| Contributions in relation to the contractually required contribution | <u>3,622,331</u> | <u>4,645,586</u> | <u>5,160,732</u> | <u>5,821,450</u> | <u>6,174,035</u> | <u>6,452,502</u> | <u>6,308,235</u> | <u>6,471,013</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 17,886,984 | \$ 18,762,341 | \$ 17,800,896 | \$ 18,454,769 | \$ 18,957,745 | \$ 19,319,548 | \$ 18,702,336 | \$ 18,995,092 |
| Contributions as a percentage of covered payroll | 20% | 25% | 29% | 32% | 33% | 33% | 34% | 34% |

The District adopted GASB 68 on a prospective basis in 2015; therefore, only eight years are present in the above

The covered payroll has been adjusted to reflect adjustments processed by PSERS

OTHER SUPPLEMENTAL INFORMATION
(STATISTICAL INFORMATION AND SINGLE AUDIT REPORT)

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2022

THE ECONOMY

The trend in total employment rates in Snyder County, compared with the same rates for Pennsylvania and the United States, since 2002, is shown as follows:

| <u>Year</u> | <u>Snyder County</u> | | | <u>Unemployment</u> <u>PA</u> | <u>U.S.</u> |
|-------------|---------------------------------------|-----------------------------------|----------------|----------------------------------|-------------|
| | <u>Civilian Labor</u> <u>Force</u> | <u>Total</u> <u>Employment</u> | <u>Percent</u> | | |
| 2002 | 19,500 | 18,400 | 5.5 | 5.5 | 5.7 |
| 2003 | 18,500 | 17,800 | 4.0 | 4.7 | 5.4 |
| 2004 | 20,000 | 19,000 | 4.8 | 5.7 | 5.4 |
| 2005 | 19,900 | 19,000 | 4.4 | 4.7 | 4.9 |
| 2006 | 20,400 | 19,500 | 4.4 | 4.6 | 4.5 |
| 2007 | 19,900 | 18,900 | 5.0 | 4.3 | 4.8 |
| 2008 | 20,000 | 18,400 | 8.1 | 6.4 | 7.1 |
| 2009 | 19,500 | 17,700 | 9.1 | 8.5 | 9.7 |
| 2010 | 18,900 | 17,400 | 8.1 | 8.1 | 9.1 |
| 2011 | 19,200 | 17,800 | 7.5 | 7.2 | 8.3 |
| 2012 | 20,000 | 18,400 | 8.0 | 7.9 | 7.6 |
| 2013 | 19,500 | 18,300 | 6.3 | 6.2 | 6.5 |
| 2014 | 19,000 | 18,100 | 4.5 | 4.6 | 5.4 |
| 2015 | 20,400 | 19,600 | 3.9 | 4.1 | 4.8 |
| 2016 | 20,200 | 19,200 | 5.0 | 5.7 | 5.0 |
| 2017 | 20,500 | 19,600 | 4.4 | 4.8 | 4.2 |
| 2018 | 20,600 | 19,800 | 3.9 | 4.1 | 3.7 |
| 2019 | 20,500 | 19,400 | 5.4 | 4.2 | 3.5 |
| 2020 | 19,900 | 18,900 | 5.1 | 7.1 | 6.9 |
| 2021 | 19,400 | 18,400 | 4.9 | 6.0 | 4.6 |
| 2022 | 19,600 | 18,900 | 3.6 | 4.1 | 3.5 |

Source: Center for Workforce Information and Analysis, PA Department of Labor and Industry

Largest Employers in or near the School District

| <u>Company</u> | <u>Business</u> |
|-------------------------------------|-------------------------------|
| PA State Government | Government |
| Susquehanna University | Educational Services |
| Wood-Mode LLC | Manufacturer of cabinets |
| National Beef Packaging Company | Wholesale Trade |
| Selinsgrove Area School District | Public Education |
| Conestoga Wood Specialties | Hardwood lumber |
| Midd-West School District | Public Education |
| Wal-Mart Association, Inc. | Retail Trade |
| Professional Building Systems | Manufacturer of modular homes |
| United Cerebral Palsy of Central PA | Non Profit |

Source: School District Officials

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

TAX REVENUES OF THE SCHOOL DISTRICT

Market and Assessed Values of Real Property

Market values of real property in the School District, as reported by the Pennsylvania State Tax Equalization Board, are listed below.

| <u>Year</u> | <u>Current Market Value</u> | <u>Assessed Valuation</u> | <u>Ratio</u> |
|-------------|-----------------------------|---------------------------|--------------|
| 2002 | \$772,510,400 | \$170,880,670 | 22.12 |
| 2003 | 784,330,200 | 172,936,100 | 22.05 |
| 2004 | 830,670,100 | 174,823,860 | 21.05 |
| 2005 | 851,404,400 | 178,642,920 | 20.98 |
| 2006 | 919,625,200 | 181,930,890 | 19.78 |
| 2007 | 969,490,800 | 243,204,250 | 25.09 |
| 2008 | 1,112,979,600 | 246,650,960 | 22.16 |
| 2009 | 1,110,100,900 | 256,296,540 | 23.09 |
| 2010 | 1,167,883,179 | 259,335,440 | 22.21 |
| 2011 | 1,180,839,514 | 256,938,410 | 21.79 |
| 2012 | 1,249,532,368 | 258,023,600 | 20.65 |
| 2013 | 1,247,008,404 | 257,071,270 | 20.62 |
| 2014 | 1,316,720,980 | 259,669,020 | 19.72 |
| 2015 | 1,327,129,140 | 261,102,420 | 19.67 |
| 2016 | 1,386,295,597 | 264,045,550 | 19.05 |
| 2017 | 1,389,771,821 | 265,007,830 | 19.07 |
| 2018 | 1,392,136,684 | 264,505,970 | 19.00 |
| 2019 | 1,446,739,464 | 264,072,450 | 18.25 |
| 2020 | 1,514,457,403 | 264,574,970 | 17.47 |
| 2021 | 1,516,776,985 | 265,772,710 | 17.52 |

Source: Pennsylvania State Tax Equalization Board and School District Officials

Ten Largest Taxpayers in the School District

The ten largest real estate taxpayers in the School District and their 2021-22 assessed valuation of their real estate are as follows:

| <u>Taxpayer</u> | <u>Business</u> | <u>Assessed Value</u> |
|-------------------------------|--------------------|-----------------------|
| Monroe Marketplace | Retail | \$6,950,900 |
| Susquehanna Valley Mall, LLC | Retail | 5,085,530 |
| Selinsgrove Re Owner, LLC | Nursing home/apts | 1,864,890 |
| Target Corporation | Retail | 1,710,000 |
| Wal-Mart | Retail | 1,707,200 |
| Weis Markets, Inc | Retail | 1,476,320 |
| Lowe's Home Centers Inc. | Retail | 1,037,400 |
| Orchard Hills Shopping | Retail | 1,010,950 |
| OHI Asset (PA) Selinsgrove | Asst. Living Homes | 849,770 |
| National Beef Packing Company | Industrial | 763,310 |
| TOTAL | | \$22,456,270 |

Source: Snyder County Assessment Office

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

Local Tax Rates for the 2021-2022 Fiscal Year

| | |
|--|---------|
| Real Estate Millage Rates (Based on 100% Assessment) | |
| Selingsgrove Area School District..... | 70.50 |
| Snyder County | 21.8125 |
| Per Capita | \$ 0 |
| Real Estate Transfer | |
| Selingsgrove Area School District..... | 0.5% |
| Municipalities | 0.5% |
| Earned Income Tax | |
| Selingsgrove Area School District..... | 1.6% |
| Municipalities | 0.5% |

Source: School District Officials

Tax Collection Record

The School District mails tax notices to taxpayers on or about August 1 of each year. The tax collection process of the School District allows taxpayers remitting in full prior to September 30 of each year a 2% discount on their tax obligations. Remittances between October 1 and November 30 are paid at par and taxpayers remitting after December 1st pay a 10% penalty. After December 31, all unpaid real estate taxes are turned over to Snyder County for collection.

The School District's real estate tax collection record is shown below:

| <u>Fiscal Year</u> | <u>Total Gross Billing</u> | <u>Current Year Collections</u> | <u>Current Year Collections as a Percent of Total Gross Billing</u> | <u>Current Plus Delinquent Collections</u> | <u>Collections as Percent of Total Gross Billing</u> |
|--------------------|--------------------------------|-------------------------------------|---|--|--|
| 2003-04 | \$9,513,739 | \$8,960,196 | 94.2% | \$9,483,190 | 99.7% |
| 2004-05 | 10,278,805 | 9,670,973 | 94.1 | 10,138,039 | 98.6 |
| 2005-06 | 10,959,233 | 10,362,893 | 94.6 | 10,922,729 | 99.7 |
| 2006-07 | 11,461,646 | 10,815,193 | 94.4 | 11,476,031 | 100.1 |
| 2007-08 | 12,219,242 | 11,587,955 | 94.8 | 12,152,992 | 99.5 |
| 2008-09 | 13,033,037 | 12,570,521 | 96.5 | 13,107,716 | 100.6 |
| 2009-10 | 14,067,527 | 13,504,081 | 96.0 | 14,023,746 | 99.7 |
| 2010-11 | 14,828,800 | 13,885,594 | 93.7 | 14,524,669 | 98.0 |
| 2011-12 | 15,213,011 | 14,578,625 | 95.9 | 15,068,444 | 99.1 |
| 2012-13 | 15,553,243 | 14,966,263 | 96.3 | 15,526,439 | 99.9 |
| 2013-14 | 15,890,660 | 15,184,637 | 95.6 | 15,846,111 | 99.8 |
| 2014-15 | 16,465,923 | 15,702,261 | 95.4 | 16,267,190 | 98.8 |
| 2015-16 | 17,016,525 | 16,188,072 | 95.2 | 16,801,544 | 98.8 |
| 2016-17 | 17,158,503 | 16,431,921 | 95.8 | 17,062,470 | 99.5 |
| 2017-18 | 17,430,517 | 16,738,132 | 96.1 | 17,301,691 | 99.3 |
| 2018-19 | 17,788,019 | 16,988,353 | 95.6 | 17,597,861 | 98.9 |
| 2019-20 | 18,212,043 | 17,437,400 | 95.7 | 18,073,388 | 99.2 |
| 2020-21 | 18,220,999 | 17,570,392 | 96.4 | 18,168,850 | 99.7 |
| 2021-22 | 18,724,289 | 18,024,527 | 96.3 | 18,523,603 | 98.9 |

Note: Beginning in Fiscal year 2008-09 amounts include property tax relief money from state gambling monies.

Source: School District Officials

SELINGROVE AREA SCHOOL DISTRICT
 SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
 OTHER SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2022

SCHOOL DISTRICT FACILITIES AND ENROLLMENTS

The School District presently operates two elementary schools, a middle school and a high school, all as described on the following table. Students in grades 10-12 may attend the SUN Tech, Snyder County Career Center. The School District currently owns the former Jackson-Penn Elementary building which is leased to a private company.

| <u>School Facility</u> | <u>Original Construction Date</u> | <u>Renovations or Additions</u> | <u>Grades Served</u> | <u>Student Capacity</u> | <u>2021-22 Enrollment</u> |
|---------------------------------|---------------------------------------|--|--------------------------|-----------------------------|-------------------------------|
| Elementary Schools: | | | | | |
| Selingsgrove Area Elementary | 1962 | 2008 | K-2 | 800 | 530 |
| Selingsgrove Area Intermediate | 1997 | none | 3-5 | 925 | 521 |
| Middle School: | | | | | |
| Selingsgrove Area Middle School | 1974 | 2015/2019 | 6-8 | 836 | 545 |
| Secondary School: | | | | | |
| Selingsgrove Area High School | 1936 | 1942/1954/1968 1969/1983/2008 2019 | 9-12 | 1,274 | <u>820</u> |
| Total Enrollment: | | | | | 2,416 |

Source: School District Officials

Pupil Enrollment Historical and Projected

The following Table presents recent trends in school enrollment and projections of enrollment for over the next year, as prepared by School District officials.

| <u>School Year</u> | <u>Total</u> |
|--------------------|--------------|
| 2003-04 | 2,890 |
| 2004-05 | 2,850 |
| 2005-06 | 2,780 |
| 2006-07 | 2,762 |
| 2007-08 | 2,704 |
| 2008-09 | 2,726 |
| 2009-10 | 2,677 |
| 2010-11 | 2,672 |
| 2011-12 | 2,764 |
| 2012-13 | 2,753 |
| 2013-14 | 2,709 |
| 2014-15 | 2,674 |
| 2015-16 | 2,717 |
| 2016-17 | 2,674 |
| 2017-18 | 2,624 |
| 2018-19 | 2,619 |
| 2019-20 | 2,633 |
| 2020-21 | 2,615 |
| 2021-22 | 2,416 |
| 2022-23 est. | 2,400 |

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

School District Employment

| Type of Personnel | Number |
|----------------------------|--------|
| Administrators | 13 |
| Professional/Instructional | 187 |
| Classified/ Support Staff | 126 |
| Total | 326 |
| | |

*employment numbers are as of the beginning of the 2022-23 school year

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

| Federal Grantor/ Pass Through Grantor/ Program Title | Source Code | Federal AL Number | Pass Through Grantors' Number | Program or Award Amount | Grant Period Beginning/Ending Date | Total Received For Year | Accrued Or (Deferred) Revenue July 1, 2021 | Revenue Recognized | Expenditures | Accrued Or (Deferred) Revenue June 30, 2022 | Subrecipient Expenditures |
|---|----------------|-------------------------|-------------------------------------|----------------------------------|--|-------------------------------|---|-----------------------|--------------|--|------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | | | |
| Passed Through State Department of Education: | | | | | | | | | | | |
| Title I Grants to Local Educational Agencies | (I) | 84.010A | 013-200377 | \$ 711,008 | 7-1-19 / 9-30-21 | \$ - | \$ (5,320) | \$ 5,320 | \$ 5,320 | \$ - | \$ - |
| Title I Grants to Local Educational Agencies | (I) | 84.010A | 013-210377 | 681,259 | 7-1-20 / 9-30-22 | 139,183 | 43,804 | 95,379 | 95,379 | - | - |
| Title I Grants to Local Educational Agencies | (I) | 84.010A | 013-220377 | 674,443 | 7-1-21 / 9-30-23 | 578,107 | - | 584,542 | 584,542 | 6,435 | - |
| Total Title I Grants to Local Educational Agencies | | | | | | 717,290 | 38,484 | 685,241 | 685,241 | 6,435 | - |
| Title II Improving Teacher Quality State Grants | (I) | 84.367 | 020-210377 | 98,458 | 7-1-20 / 9-30-22 | - | (3,492) | 3,492 | 3,492 | - | - |
| Title II Improving Teacher Quality State Grants | (I) | 84.367 | 020-220377 | 97,914 | 7-1-21 / 9-30-23 | 97,914 | - | 97,492 | 97,492 | (422) | - |
| Total Title II Improving Teacher Quality State Grants | | | | | | 97,914 | (3,492) | 100,984 | 100,984 | (422) | - |
| Career and Technical Education - Basic Grants to States (Perkins-Secondary) | (I) | 84.048 | 380-210089 | 26,048 | 7-1-20 / 6-30-21 | 7,213 | 7,213 | - | - | - | - |
| Total Career and Technical Education - Basic Grants to States | | | | | | 7,213 | 7,213 | - | - | - | - |
| Title IV Student Support and Academic Enrichment Program | (I) | 84.424 | 144-200377 | 52,102 | 7-1-19 / 9-30-21 | 13,894 | (1,602) | 15,496 | 15,496 | - | - |
| Title IV Student Support and Academic Enrichment Program | (I) | 84.424 | 144-210377 | 51,860 | 7-1-20 / 9-30-22 | 7,409 | (5,541) | 6,064 | 6,064 | (6,886) | - |
| Title IV Student Support and Academic Enrichment Program | (I) | 84.424 | 144-220377 | 49,186 | 7-1-21 / 9-30-23 | 14,045 | - | - | - | (14,045) | - |
| Total Title IV Student Support and Academic Enrichment Program | | | | | | 35,348 | (7,143) | 21,560 | 21,560 | (20,931) | - |
| COVID-19 Education Stabilization Fund (ESSER I) | (I) | 84.425D | 200-200377 | 561,651 | 3-13-20 / 9-30-22 | - | (27,895) | 27,895 | 27,895 | - | - |
| COVID-19 Education Stabilization Fund (ESSER II) | (I) | 84.425D | 200-210377 | 2,415,275 | 3-13-20 / 9-30-23 | 1,067,215 | 3,480 | 960,275 | 960,275 | (103,460) | - |
| COVID-19 Education Stabilization Fund (ESSER III ARP) | (I) | 84.425U | 223-210377 | 4,885,403 | 3-13-20 / 9-30-24 | 266,477 | 49,630 | 615,932 | 615,932 | 399,085 | - |
| COVID-19 Education Stabilization Fund (ESSER 7%) | (I) | 84.425U | 225-210377 | 379,705 | 3-13-20 / 9-30-24 | 331,379 | - | 331,802 | 331,802 | 423 | - |
| COVID-19 Education Stabilization Fund (ESSER Homeless Children and Youth) | (I) | 84.425U | 181-212386 | 17,030 | 7-1-21 / 9-30-24 | 1,471 | - | 7,124 | 7,124 | 5,653 | - |
| Total Education Stabilization Fund | | | | | | 1,666,542 | 25,215 | 1,943,028 | 1,943,028 * | 301,701 | - |
| Passed Through Central Susquehanna Intermediate Unit | | | | | | | | | | | |
| Special Education-Grants to States: | | | | | | | | | | | |
| Special Education-Grants to States (IDEA B) | (I) | 84.027 | 062-21-0016 | 337,646 | 7-1-20 / 6-30-21 | 337,646 | 337,646 | - | - | - | - |
| Special Education-Grants to States (IDEA B) | (I) | 84.027 | 062-22-0016 | 333,080 | 7-1-21 / 6-30-22 | - | - | 333,080 | 333,080 | 333,080 | - |
| COVID-19 Special Education - Grants to States (ARP IDEA) | (I) | 84.027X | 062-22-0016 | 69,992 | 7-1-21 / 6-30-22 | - | - | 69,992 | 69,992 | 69,992 | - |
| Special Education-Preschool Grants (IDEA 619) | (I) | 84.173 | 131-20-0016 | 8,272 | 7-1-20 / 6-30-21 | 8,272 | 8,272 | - | - | - | - |
| Special Education-Preschool Grants (IDEA 619) | (I) | 84.173 | 131-21-0016 | 5,290 | 7-1-21 / 6-30-22 | - | - | 3,721 | 3,721 | 3,721 | - |
| Passed Through State Department of Education: | | | | | | | | | | | |
| COVID-19 Special Education - Grants to States (SECIM) | (I) | 84.027 | 252-200377 | 18,492 | 7-01-20 / 9-30-22 | 12,328 | (3,279) | 15,607 | 15,607 | - | - |
| Total Special Education Cluster | | | | | | 358,246 | 342,639 | 422,400 | 422,400 | 406,793 | - |
| TOTAL DEPARTMENT OF EDUCATION | | | | 11,474,114 | | 2,882,553 | 402,916 | 3,173,213 | 3,173,213 | 693,576 | - |

See notes to Schedule of Expenditures of Federal Awards

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

| Federal Grantor/ Pass Through Grantor/ Program Title | Source Code | Federal AL Number | Pass Through Grantors' Number | Program or Award Amount | Grant Period Beginning/Ending Date | Total Received For Year | Accrued Or (Deferred) Revenue July 1, 2021 | Revenue Recognized | Expenditures | Accrued Or (Deferred) Revenue June 30, 2022 | Subrecipient Expenditures |
|---|----------------|-------------------------|-------------------------------------|----------------------------------|--|-------------------------------|---|-----------------------|---------------------|--|------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | | | |
| Passed Through State Department of Education: | | | | | | | | | | | |
| State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant | (I) | 10.649 | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | \$ 3,063 | \$ - | \$ 3,063 | \$ 3,063 | \$ - | |
| Child Nutrition Cluster | | | | | | | | | | | |
| National School Lunch | (I) | 10.555 | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | 1,245,774 | - | 1,257,965 | 1,257,910 | 12,191 | - |
| National School Lunch | (S) | N/A | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | 30,646 | - | 30,976 | 30,976 | 330 | - |
| School Breakfast | (I) | 10.553 | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | 144,654 | - | 147,429 | 147,484 | 2,775 | - |
| School Breakfast | (S) | N/A | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | 5,666 | - | 5,773 | 5,773 | 107 | - |
| Summer Food Service Program for Children | (I) | 10.559 | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | 4,128 | - | 4,128 | 4,128 | - | - |
| PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE: | | | | | | | | | | | |
| National School Lunch Program | (I) | 10.555 | 1-29-54-080-3 | N/A | 7-1-21 / 6-30-22 | (A) 125,169 | (B) 2,132 | 123,616 | (C) 123,616 | (D) 579 | - |
| LESS: STATE FUNDS | | | | | | | | | | | |
| Total Child Nutrition Cluster | | | | | | 36,312 | - | 36,749 | 36,749 | 437 | - |
| | | | | | | <u>1,519,725</u> | <u>2,132</u> | <u>1,533,138</u> | <u>1,533,138</u> | <u>15,545</u> | <u>-</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | | | | <u>1,522,788</u> | <u>2,132</u> | <u>1,536,201</u> | <u>1,536,201</u> | <u>15,545</u> | <u>-</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 11,474,114</u> | | <u>\$ 4,405,341</u> | <u>\$ 405,048</u> | <u>\$ 4,709,414</u> | <u>\$ 4,709,414</u> | <u>\$ 709,121</u> | <u>\$ -</u> |

Source Code Legend:

- (I) Indicates indirect funding
- (S) Indicates State matching funding.

*Denotes tested as a major program

Other Code Legend:

- (A) Indicates total commodities received.
- (B) Indicates beginning commodity inventory
- (C) Indicates commodities used.
- (D) Indicates ending commodity inventory

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1: REPORTING ENTITY

Selinsgrove Area School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1B to the District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the accrual basis of accounting, which is described in Note 1E to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2022 threshold for determining Type A and Type B programs is \$750,000.

The following Type A program audited as major:

84.425 Education Stabilization Fund

The amount expended under the program audited as a major federal program for the year ended June 30, 2022, totaled \$1,943,028 or 41.3% of total federal awards expended.

NOTE 4: MEDICAL ASSISTANCE

Access reimbursement received under ALN #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Selinsgrove Area School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Board of School Directors
Selinsgrove Area School District

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.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
January 18, 2023



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

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

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

Basis for Opinion on Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Board of School Directors
Selinsgrove Area School District

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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 a deficiency in internal control over compliance that we consider to be material weaknesses.

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



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Board of School Directors
Selinsgrove Area School District

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Zelenkofske Axlerod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
January 18, 2023

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
 X yes ___ none reported

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

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

Identification of major programs:

| <u>AL Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 84.425 | Education Stabilization Fund |

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

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

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

Finding 2022-001

Activities Allowed

ALN# 84.425 Education Stabilization Fund

Criteria: 2 CFR part 200 section 303 indicates that the District is responsible for establishing and maintaining effective internal control over the Federal award that provides reasonable assurance that the District is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: During testing, it was noted that 2 of the 60 transactions selected for testing in the Education Stabilization Fund did not have sufficient audit evidence to demonstrate they were approved prior to payment. There were no instances of noncompliance with activities allowed requirements related to the transactions selected.

Cause: Due to staff oversight, two timecards were missed in the supervisor review prior to being submitted for processing.

Effect: Internal controls over this requirement were not operating effectively.

Questioned Costs: None noted.

Recommendation: The District should follow its established internal control procedures over activities allowed requirements.

Views of Responsible Officials: The District will ensure that all payroll timecards are approved and signed by the appropriate supervisor before being processed for payment. The payroll administrator will not process the timecard unless it is signed and approved. All unsigned timecards will be returned for signature and approval. Before the payroll is processed the business manager will approve and initial a report showing the personnel paid for by the Education Stabilization Fund.

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

| <u>Program</u> | <u>Prior Year Finding</u> | <u>Description</u> | <u>Current Year Status</u> |
|----------------|-------------------------------|--------------------|--------------------------------|
| None noted. | | | |