WESTERN WAYNE SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2023

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Brian T. Kelly, CPA
& Associates, LLC

Independent Auditors' Report

To the Board of Education of the
Western Wayne School District:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Western Wayne School District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis on pages 7 through 16, and the Required Supplementary Information on pages 59 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on page 64, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

B. K. Kelly CPA & Associates L.L.C.

Carbondale, Pennsylvania
January 26, 2024

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Western Wayne School District (District) for the year ended June 30, 2023. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

FINANCIAL HIGHLIGHTS

Total net position of the District increased $2,205,925 in 2023 to $(21,135,010) at June 30, 2023. Net position of the governmental activities increased $2,206,590. Net position of the business-type activity decreased $665.

The District had $49,079,608 in expenses related to governmental activities in 2023; only $14,215,259 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and state subsidies) of $37,070,939 were adequate to provide for these programs, and our net position increased despite long term liabilities, specifically the net OPEB liability.

In the District's business-type activity, net position decreased by $665 as a result of a net loss in the food service operation attributed to the on-going changes in funding/service due to the COVID 19 pandemic.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net position (deficit) presents information on all of the District's assets and liabilities and deferred inflows and outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for the District's major funds: General Fund, the Capital Projects Fund, Capital Reserve Fund, and the Debt Service Fund.

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

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

PROPRIETARY FUND

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

FIDUCIARY FUND

The District accounts for its custodial fund as a fiduciary fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-58 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The General Fund's approved budget for 2023 included revenues of $47,992,068 and expenditures and other financing uses of $49,960,827. There were no amendments made to the budget in 2023.

Actual revenues were higher than budgeted revenues in 2023 by $3,188,813. Local source revenue was higher than budget by $862,233 due to higher than expected real estate tax, real estate transfer tax collections and tuition from local patrons. State source revenue was higher than the budget by $921,597 due primarily to additional basic education funding along with special education funding. Federal source revenue was higher than budgeted revenue by $1,404,983 due to receipt of additional federal grants for the Elementary and Secondary School Emergency Relief (ESSER) program.

Actual expenditures were higher than budgeted expenditures in 2023 by $2,489,280. This was true across all areas of expenditures due to the effects of the pandemic and the additional measures put in place to address the COVID 19 pandemic, such as additional instructional options for our students and safety measures that included upgrades to our existing building automation and HVAC.

GOVERNMENTAL ACTIVITIES

The net position of the governmental activities increased by $2,206,590 in 2023. Revenues increased due to a small increase in the tax levy for the 2023 year of 2.49% and a continued increase in the collection of the real estate transfer tax. Expenses increased by about 5% due to the effects of the pandemic and overall increased salaries, benefits, and supply costs.

BUSINESS-TYPE ACTIVITY

The net position of the District's food service operation decreased by $665 from 2022 due to continuing changes is food service programs as a result of coming out of the seamless summer food distribution system and into the new program that gave all students free breakfast for the entire year but moved back to a full pay system for lunch.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

CONDENSED STATEMENT OF NET ASSETS (IN 000'S)

	Governmental Activities 2023	Governmental Activities 2022	Business Type Activity 2023	Business Type Activity 2022	Totals 2023	Totals 2022	% Change
Current and other assets	$ 20,838	$ 21,711	$ 13	$ 27	$ 20,851	$ 21,738	-4.08%
Capital assets	35,190	37,216	35	47	35,225	37,263	-5.47%
Deferred outflows of resources	11,137	12,942	-	-	11,137	12,942	-13.95%
Total	$ 67,165	$ 71,869	$ 48	$ 74	$ 67,213	$ 71,943	-6.57%
Current liabilities	$ 8,123	$ 7,805	$ 16	$ 33	$ 8,139	$ 7,838	3.84%
Long-term liabilities:							
Due within one year	3,533	3,421	5	6	3,538	3,427	3.24%
Due after one year	73,018	73,888	46	53	73,064	73,941	-1.19%
Total liabilites	84,674	85,114	67	92	84,741	85,206	-0.55%
Deferred inflows of resources	3,607	10,077	-	-	3,607	10,077	-64.21%
Net position (deficit):							
Net investment in capital assets	23,854	22,731	35	47	23,889	22,778	4.88%
Restricted	766	766			766	766	0.00%
Unrestricted	(45,736)	(46,819)	(54)	(65)	(45,790)	(46,884)	2.33%
Total net position (deficit)	(21,116)	(23,322)	(19)	(18)	(21,135)	(23,340)	9.45%
Total	$ 67,165	$ 71,869	$ 48	$ 74	$ 67,213	$ 71,943	-6.57%

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		%
	2023	2022	2023	2022	2023	2022	Change
Program revenues:							
Charges for services	$ 572	$ 786	$ 222	$ 27	$ 794	$ 813	-2.34%
Operating grants and contributions	13,643	13,331	1,117	1,420	14,760	14,751	0.06%
General revenues:							
Taxes levied for general purposes	29,373	28,720			29,373	28,720	2.27%
Grants, subsidies and contributions not restricted	7,156	6,353			7,156	6,353	12.64%
Other	542	133	1	1	543	134	305.22%
Total revenues	51,286	49,323	1,340	1,448	52,626	50,771	3.65%
Program expenses:							
Instruction	27,951	27,624			27,951	27,624	1.18%
Instructional student support	3,714	3,631			3,714	3,631	2.29%
Administration and financial support services	4,749	4,601			4,749	4,601	3.22%
Operation and maintenance of plant servcies	4,459	3,121			4,459	3,121	42.87%
Pupil transportation	4,577	4,181			4,577	4,181	9.47%
Student activities	1,143	1,124			1,143	1,124	1.69%
Interest	253	(9)			253	(9)	-2911.11%
Depreciation	2,233	2,287			2,233	2,287	-2.36%
Food service	-	-	1,341	1,235	1,341	1,235	8.58%
Total expenses	49,079	46,560	1,341	1,235	50,420	47,795	5.49%
Change in net position	2,207	2,763	(1)	213	2,206	2,976	-25.87%
Net position (deficit), beginning	(23,323)	(26,085)	(18)	(231)	(23,341)	(26,316)	11.30%
Net position (deficit), ending	$ (21,116)	$ (23,322)	$ (19)	$ (18)	$ (21,135)	$ (23,340)	9.45%

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR)

The following represents a summary of General Fund revenue, by source, along with changes from 2022:

	2023 Amount	2022 Amount	Increase (Decrease)	% Change
Local sources	$30,545,696	$29,862,437	$ 683,259	2.29 %
State sources	18,243,102	17,215,841	1,027,261	5.97 %
Federal sources	2,392,083	2,211,797	180,286	8.15 %
Total	$51,180,881	$49,290,075	1,890,806	3.84 %

LOCAL SOURCES

The majority of the increase in local source revenue is attributable to increases in real estate tax collections and interest earnings.

STATE SOURCES

The District received additional state funds related to reimbursement of retirement, increased basic and special education subsidies along with additional property tax rebate funding.

FEDERAL SOURCES

The increase in federal sources is primarily due to federal grants such as the Elementary and Secondary School Emergency Relief (ESSER) and the American Rescue Plan ESSER.

The following represents a summary of General Fund expenditures, by function, along with changes from 2022:

	2023 Amount	2022 Amount	Increase (Decrease)	% Change
Instruction	$29,507,447	$28,826,044	$ 681,403	2.36 %
Support services	18,258,047	16,380,929	1,877,118	11.46 %
Noninstructional services	1,194,682	1,164,906	29,776	2.56 %
Other	3,489,931	3,567,930	(77,999)	(2.19)%
Total	$52,450,107	$49,939,809	$2,510,298	5.03%

INSTRUCTION

The District had increased costs related to Special Education, along with salaries and benefits. Most of the increased instructional costs were related to charter school tuition expenses and programs for virtual learning.

SUPPORT SERVICES

The District had increased costs due to added security and social work staff and building upgrades, most of which are covered by state and federal grants. We also had increased costs for salaries and benefits.

NONINSTRUCTIONAL SERVICES

The District had increased costs for extra-curricular and athletic expenses, particularly transportation.

OTHER

The debt service decreased from last year due to the payoff of our Series 2015 Debt.

CAPITAL RESERVE AND CAPITAL PROJECTS FUNDS (MAJOR)

These funds account for major construction projects in the District. The combined total fund balance at June 30, 2023 was $914,962, which represents capital reserve funds for future capital needs along with the remaining proceeds from the 2019 borrowing for the Athletic Complex. The Athletic Complex renovations were completed in the fall of 2020.

DEBT SERVICE FUND (MAJOR)

The Debt Service Fund accounts for the proceeds of, and payment on, notes and bonds payable. In 2023, the District paid a total of approximately $3.5 million in current debt service, including $3.3 million of principal.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2023 is summarized below.

	GOVERN-MENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTALS
Land	$ 539,550		$ 539,550
Land improvements	5,035,803		5,035,803
Buildings and improvements	66,566,651		66,566,651
Furniture and equipment	5,384,826	$ 174,299	5,559,125
Total	77,526,830	174,299	77,701,129
Less accumulated depreciation	42,336,759	138,947	42,475,706
Net	$ 35,190,071	$ 35,352	$35,225,423

Additional information on the District's capital assets can be found on page 39 of this report.

LONG TERM DEBT

At June 30, 2023, the District's general obligation debt was $11,200,000. This amount is approximately 10.0% of its legal limit of $115 million. $3,150,000 of this debt is scheduled for payment in 2024. The District's bonds have an Aa3 rating from Moody's Investors Service. Additional information on the District's long-term debt can be found on page 40 of this report.

ECONOMIC CONDITION AND OUTLOOK

The District is residential in nature and has experienced only modest growth in its tax base and stable student enrollment in recent years.

The District experienced added costs from rising salaries and benefits, but these expenses were offset by decreases to our postretirement benefits and increased revenue from real estate taxes and real estate transfer taxes. The District did raise its real estate tax levy in fiscal 2023 modestly by 2.49%.

For fiscal year 2025, the District can raise taxes without PDE approval or voter referendum by a 5.3% index. The Board of Education passed a resolution stating that the District will not increase the rate of any tax for the support of its public schools for the 2025 fiscal year by more than the index established by the Department of Education for the District. The District is able to do this now that our General Fund Balance has improved, and we continue to see increases to our tax base and to our revenue from real estate transfer taxes.

The District has labor contracts with both the professional and support professional unions that run through fiscal year 2025.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rose E. Emmett, Business Manager, Western Wayne School District, 1970C Easton Turnpike, Lake Ariel, PA 18436.

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITY	TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and cash equivalents	$ 7,757,862	$ 912,486	$ 8,670,348
Investments	5,236,304	-	5,236,304
Taxes receivable, net	1,556,807	-	1,556,807
Due from other governments	4,273,397	144,492	4,417,889
Internal balances	1,054,215	(1,054,215)	-
Other receivables	43,690	-	43,690
Inventories	-	10,314	10,314
Total current assets	19,922,275	13,077	19,935,352
CAPITAL ASSETS	35,190,071	35,352	35,225,423
ASSETS HELD FOR CAPITAL PROJECTS	914,962	-	914,962
Total assets	56,027,308	48,429	56,075,737
DEFERRED OUTFLOWS OF RESOURCES - PENSION AND OPEB	11,137,240	-	11,137,240
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 67,164,548	$ 48,429	$ 67,212,977
LIABILITIES, DEFERRED INFLOWS AND NET POSITION (DEFICIT)			
Current liabilities:			
Accounts payable	$ 1,387,377	$ -	$ 1,387,377
Accrued salaries and benefits	6,402,313	-	6,402,313
Payroll deductions and withholdings	198,348	-	198,348
Other current liabilities	3,551	-	3,551
Current maturities of bonds payable	3,150,000	-	3,150,000
Current portion of special termination benefits	225,500	-	225,500
Current portion of compensated absences	157,721	5,127	162,848
Accrued interest	102,044	-	102,044
Unearned revenues	28,710	16,010	44,720
Total current liabilities	11,655,564	21,137	11,676,701
BONDS PAYABLE	8,334,612	-	8,334,612
SPECIAL TERMINATION BENEFITS	407,711	-	407,711
OTHER POSTEMPLOYMENT BENEFITS	3,815,711	-	3,815,711
COMPENSATED ABSENCES	1,419,491	46,138	1,465,629
NET PENSION LIABILITY	59,041,000	-	59,041,000
Total liabilities	84,674,089	67,275	84,741,364
DEFERRED INFLOWS OF RESOURCES - PENSION AND OPEB	3,606,623	-	3,606,623
NET POSITION (DEFICIT):			
Net investment in capital assets	23,853,892	35,352	23,889,244
Restricted	766,529	-	766,529
Unrestricted	(45,736,585)	(54,198)	(45,790,783)
Total net position (deficit)	(21,116,164)	(18,846)	(21,135,010)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	$ 67,164,548	$ 48,429	$ 67,212,977

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		PROGRAM REVENUES		NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION (DEFICIT)		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	TOTAL
Governmental activities:						
Instruction	$ (27,951,182)	$ 551,929	$ 9,098,175	$ (18,301,078)		$ (18,301,078)
Instructional student support	(3,714,361)	-	498,065	(3,216,296)		(3,216,296)
Administration and financial support services	(4,748,611)	-	403,134	(4,345,477)		(4,345,477)
Operation and maintenance of plant services	(4,458,404)	1,997	370,006	(4,086,401)		(4,086,401)
Pupil transportation	(4,577,166)	-	3,165,075	(1,412,091)		(1,412,091)
Student activities	(1,143,131)	18,062	108,816	(1,016,253)		(1,016,253)
Interest	(253,416)	-	-	(253,416)		(253,416)
Depreciation	(2,233,337)	-	-	(2,233,337)		(2,233,337)
Total governmental activities	(49,079,608)	571,988	13,643,271	(34,864,349)		(34,864,349)
Business-type activity, Food Service	(1,340,194)	221,910	1,117,480	-	$ (804)	(804)
TOTAL	$ (50,419,802)	$ 793,898	$ 14,760,751	(34,864,349)	(804)	(34,865,153)
General revenues:						
Taxes levied for general purposes, net				29,373,192	-	29,373,192
Grants, subsidies and contributions not restricted				7,155,742	-	7,155,742
Miscellaneous income				306,340	-	306,340
Investment earnings				235,665	139	235,804
Total general revenues				37,070,939	139	37,071,078
Change in net position				2,206,590	(665)	2,205,925
Net position (deficit), beginning				(23,322,754)	(18,181)	(23,340,935)
Net position (deficit), ending				$ (21,116,164)	$ (18,846)	$ (21,135,010)

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	MAJOR FUNDS			
	GENERAL	CAPITAL RESERVE	CAPITAL PROJECTS	TOTALS
ASSETS:				
Cash and cash equivalents	$ 7,757,862	$ -	$ -	$ 7,757,862
Investments	5,236,304	-	-	5,236,304
Assets held for capital projects	-	766,529	148,433	914,962
Taxes receivable, net	1,556,807	-	-	1,556,807
Due from other funds	1,054,215	-	-	1,054,215
Due from other governments	4,273,397	-	-	4,273,397
Other receivables	43,690	-	-	43,690
Total assets	$ 19,922,275	$ 766,529	$ 148,433	$ 20,837,237
LIABILITIES:				
Accounts payable	$ 1,387,377	$ -	$ -	$ 1,387,377
Accrued salaries and benefits	6,402,313	-	-	6,402,313
Payroll deductions and withholdings	198,348	-	-	198,348
Special termination benefits	225,500	-	-	225,500
Unearned revenues	28,710	-	-	28,710
Other current liabilities	3,551	-	-	3,551
Total liabilities	8,245,799	-	-	8,245,799
DEFERRED INFLOWS OF RESOURCES,				
Unavailable revenue - real estate taxes	987,028	-	-	987,028
FUND BALANCES:				
Restricted	-	766,529	148,433	914,962
Committed	840,391	-	-	840,391
Assigned	7,303,089	-	-	7,303,089
Unassigned	2,545,968	-	-	2,545,968
Total fund balances	10,689,448	766,529	148,433	11,604,410
Total liabilities, deferred inflows of resources, and fund balances	$ 19,922,275	$ 766,529	$ 148,433	$ 20,837,237

WESTERN WAYNE SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	$ 11,604,410
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	35,190,071
Real estate taxes receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds	987,028
Accrued interest payable is included in the statement of net position (deficit)	(102,044)
Deferred outflows of resources related to the net pension and other postemployment liabilities are included in the statement of net position (deficit)	11,137,240
Deferred inflows of resources related to the net pension and other postemployment liabilities are included in the statement of net position (deficit)	(3,606,623)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Bonds payable	(11,484,612)
Special termination benefits	(407,711)
Other postemployment benefits (OPEB)	(3,815,711)
Compensated absences	(1,577,212)
Net pension liability	(59,041,000)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	$ (21,116,164)

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	MAJOR FUNDS				
	GENERAL	CAPITAL RESERVE	CAPITAL PROJECTS	DEBT SERVICE	TOTALS
REVENUES:					
Local sources	$ 30,545,696	$ 861	$ 995	$ -	$ 30,547,552
State sources	18,243,102	-	-	-	18,243,102
Federal sources	2,392,083	-	-	-	2,392,083
Total revenues	51,180,881	861	995	-	51,182,737
EXPENDITURES:					
Instruction	29,507,447	-	-	-	29,507,447
Support services	18,258,047	-	240	-	18,258,287
Noninstructional services	1,194,682	-	-	-	1,194,682
Capital outlay	-	-	76,921	-	76,921
Debt service	-	-	-	3,489,931	3,489,931
Total expenditures	48,960,176	-	77,161	3,489,931	52,527,268
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,220,705	861	(76,166)	(3,489,931)	(1,344,531)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	3,489,931	3,489,931
Transfers out	(3,489,931)	-	-	-	(3,489,931)
Total other financing sources (uses)	(3,489,931)	-	-	3,489,931	-
NET CHANGE IN FUND BALANCES	(1,269,226)	861	(76,166)	-	(1,344,531)
FUND BALANCE, BEGINNING	11,958,674	765,668	224,599	-	12,948,941
FUND BALANCE, ENDING	$ 10,689,448	$ 766,529	$ 148,433	$ -	$ 11,604,410

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	$ (1,344,531)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital asset additions are reported as expenditures in the funds	207,583
Depreciation expense is reported in the statement of activities	(2,233,337)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in revenue accrued between the prior and current year	103,461
Repayment of bonds payable uses current financial resources and is reported in the funds but not the statement of activities	3,085,000
Amortization of premium on bonds payable	139,566
Change in accrued interest on bonds payable	11,949
Change in OPEB liability and related deferred outflows and inflows of resources	199,314
Change in special termination benefits	63,704
Change in compensated absences	(88,119)
Change in net pension liability and related deferred outflows and inflows of resources	2,062,000
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	$ 2,206,590

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:			
Local sources	$ 29,683,463	$ 30,545,696	$ 862,233
State sources	17,321,505	18,243,102	921,597
Federal sources	987,100	2,392,083	1,404,983
Total revenues	47,992,068	51,180,881	3,188,813
EXPENDITURES:			
Instruction	29,156,803	29,507,447	(350,644)
Support services	16,206,095	18,258,047	(2,051,952)
Noninstructional services	1,107,497	1,194,682	(87,185)
Total expenditures	46,470,395	48,960,176	(2,489,781)
EXCESS OF REVENUES OVER EXPENDITURES	1,521,673	2,220,705	699,032
OTHER FINANCING USES, Transfers out	(3,490,432)	(3,489,931)	501
NET CHANGE IN FUND BALANCE	(1,968,759)	(1,269,226)	699,533
FUND BALANCE, BEGINNING	11,008,408	11,958,674	950,266
FUND BALANCE, ENDING	$ 9,039,649	$ 10,689,448	$ 1,649,799

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND
JUNE 30, 2023

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 912,486
Due from other governments	144,492
Inventories	10,314
Total current assets	1,067,292
CAPITAL ASSETS	35,352
TOTAL	$ 1,102,644

LIABILITIES AND NET POSITION (DEFICIT)

LIABILITIES:	
Current liabilities:	
Due to other funds	$ 1,054,215
Unearned revenues	16,010
Current portion of compensated absences	5,127
Total current liabilities	1,075,352
COMPENSATED ABSENCES	46,138
Total liabilities	1,121,490
NET POSITION (DEFICIT):	
Net investment in capital assets	35,352
Unrestricted	(54,198)
Total net position (deficit)	(18,846)
TOTAL	$ 1,102,644

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION (DEFICIT) - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES,	
Food service revenue	$ 221,910
OPERATING EXPENSES:	
Salaries	442,671
Employee benefits	327,147
Purchased property services	17,998
Other purchased services	2,263
Food and supplies	538,636
Depreciation	11,479
Total operating expenses	1,340,194
OPERATING LOSS	(1,118,284)
NONOPERATING REVENUES:	
Earnings on investments	139
State sources	223,946
Federal sources	893,534
Total nonoperating revenues	1,117,619
CHANGE IN NET POSITION	(665)
NET POSITION (DEFICIT), BEGINNING	(18,181)
NET POSITION (DEFICIT), ENDING	$ (18,846)

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF CASH FLOWS-
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	$ 217,701
Cash payments to employees for services	(546,453)
Cash paid to suppliers for goods and services	(489,853)
Net cash used in operating activities	(818,605)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	206,972
Federal sources	882,267
Net cash provided by noncapital financing activities	1,089,239
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,	
Earnings on investments	139
CHANGE IN CASH AND CASH EQUIVALENTS	270,773
CASH AND CASH EQUIVALENTS, BEGINNING	641,713
CASH AND CASH EQUIVALENTS, ENDING	$ 912,486
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS,	
USDA donated commodities	$ 70,095
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (1,118,284)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	11,479
USDA donated commodities	70,095
Increase or decrease in:	
Inventory	(1,051)
Due to other funds	230,700
Unearned revenues	(4,209)
Compensated absences	(7,335)
Net cash used in operating activities	$ (818,605)

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2023

ASSETS	
CASH	$ 86,137
NET POSITION	
NET POSITION, Restricted for student activities	$ 86,137

See Notes to Financial Statements

WESTERN WAYNE SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

ADDITIONS:	
Fundraising	$ 106,433
Donations	16,057
Interest income	22
Total additions	122,512
DEDUCTIONS,	
Fees and charges	4,960
Rentals	56,247
Supplies	74,542
Total deductions	135,749
CHANGE IN NET POSITION	(13,237)
NET POSITION, BEGINNING	99,374
NET POSITION, ENDING	$ 86,137

See Notes to Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting principles and practices followed by the Western Wayne School District (District) are summarized below:

NATURE OF OPERATIONS

The District provides elementary and secondary education to the residents of the following municipalities: The Borough of Waymart, Canaan Township, South Canaan Township, Clinton Township, Salem Township, Sterling Township and Lake Township.

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

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in Governmental Accounting Standards Board (GASB) Statement No. 14, as amended. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency, and legal separation.

Based on these criteria, the District has determined that there are no related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND TYPES

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

GENERAL FUND (MAJOR)

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

CAPITAL PROJECTS FUNDS

Capital Projects fund accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The District uses the following Capital Project sub-funds which it has elected to report as major funds:

CAPITAL RESERVE FUND (MAJOR)

The Capital Reserve Fund was established under the Pennsylvania Municipal Code to account for (1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the District at the end of a fiscal year, and (3) interest earnings of the fund itself. Bond proceeds and other local, state, and federal revenue may not be deposited in this fund. No transfers out of this fund are allowable for any purpose. Expenditures from this fund are limited to capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase or replacement of school buses, and for no other purpose.

OTHER CAPITAL PROJECTS FUND (MAJOR)

The Other Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation, or construction of major capital facilities which are financed through the issuance of bonds or notes.

DEBT SERVICE FUND (MAJOR)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term obligations.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

CUSTODIAL FUND

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

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

BASIS OF ACCOUNTING

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

ACCRUAL BASIS

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

MODIFIED ACCRUAL BASIS

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

The District reports unearned revenue in both the government-wide and fund financial statements. Unearned revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. 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 and revenue is recognized.

ALLOCATION OF INDIRECT EXPENSES

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

BUDGETARY DATA

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, and investments purchased with an original maturity of three months or less.

INVESTMENTS

Investments consist of a certificate of deposit reported at cost, which approximates fair value.

ASSETS HELD FOR CAPITAL PROJECTS

Assets held for capital purposes consist of money market funds restricted for the acquisition of capital assets.

INVENTORIES

Food Service inventories are valued at the lower of cost (first-in, first-out method) or market except for donated inventories, which are valued at fair market value as determined by the U.S. Department of Agriculture at the date of donation.

CAPITAL ASSETS

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

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

All capital assets except land are depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Land improvements	15 - 20 years	N/A
Buildings and improvements	30 - 40 years	N/A
Furniture and equipment	5 - 20 years	5 - 10 years

The District does not have any infrastructure capital assets.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports certain changes in its net pension/OPEB liabilities in the government-wide statement of net position (deficit) in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. Under the modified accrual basis of accounting, the District has an item that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from real estate taxes not yet collected which are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also reports certain changes in its net pension/OPEB liabilities in the government-wide statement of net position (deficit) in this category.

COMPENSATED ABSENCES

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated. The rate paid varies by position. Vacation leave is available only to administrative and twelve-month support employees. Vacation pay is earned in the year in which the service has been performed. Administrative employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year.

PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District provides eligible employees with retirement and OPEB benefits through the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343. In addition, the District provides eligible employees with OPEB benefits through a single employer defined benefit plan sponsored by the District (District Plan).

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

GOVERNMENT FUND BALANCE CLASSIFICATIONS

Fund balances are classified on the level of constraints placed on the usage of fund resources as follows:

- *Nonspendable* fund balances are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The District has no nonspendable fund balances.

- *Restricted* fund balances are amounts that are restricted to specific purposes by constraints placed on their use that are externally imposed by creditors, grantors, contributions, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

- *Committed* fund balances are amounts that can only be used for specific purposes imposed by formal resolution of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removed or changes the specific use by taking the same action it employed to previously commit the amounts. At June 30, 2023, the Board of Education has committed $840,391 of General Fund balance for retirement and healthcare.

- *Assigned* fund balances are amounts constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education has designated the Business Manager to assign fund balance amounts as deemed financially necessary and appropriate. At June 30, 2023, the Business Manager has assigned General Fund balance of $7,303,089 for healthcare, retirement, and capital improvements.

- *Unassigned* fund balance is a residual classification and represents amounts that have not been assigned to other funds, and has not been restricted, committed, or assigned to a specific purpose within the General Fund.

ELIMINATIONS AND INTERNAL BALANCES

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

USE OF RESTRICTED RESOURCES

When an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District’s policy is to use restricted resources first, and then unrestricted resources as needed.

USE OF ESTIMATES

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

ADOPTION OF NEW ACCOUNTING PRINCIPLE

In 2023, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement requires the recognition of a right-to-use asset and related liability for a contract that conveys the right to use another party's software for a period of time in excess of one year. The District has no significant such contracts and, therefore, the adoption of this guidance did not have any effect on the District's financial statements.

2. DEPOSITS AND INVESTMENTS

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

CUSTODIAL CREDIT RISK

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District does not have a formal policy for custodial credit risk. At June 30, 2023, the bank balance of the District's deposits with financial institutions including cash equivalents and certificates of deposit was $15,247,819 compared to the carrying amount of $14,907,751. The difference is primarily caused by items in-transit and outstanding checks. $14,349,386 of the District's deposits were exposed to custodial credit risk and were uninsured but collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971, as amended.

3. REAL ESTATE TAXES

The tax on real estate, as levied by the Board of Education, was 18.1236 mills ($18.12 per $1,000 of assessed valuation) for fiscal 2023. Assessed valuations of property are determined by Wayne County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

August 1	Levy Date
August 1 - September 30	2% discount period
October 1 – November 30	Face payment period
December 1 - December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at June 30, 2023 amounted to $1,556,807. The amount of taxes receivable is reported net of an allowance for doubtful collections of $172,979.

4. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2023 consists of the following:

Governmental activities:	
Pennsylvania Department of Education:	
State source revenue	$ 2,423,288
Federal source revenue	782,996
Northeastern Educational Intermediate Unit #19,	
Local source revenue	504,137
Pennsylvania Commission on Crime and Delinquency,	
State source revenue	156,869
Pennsylvania Department of Human Services,	
Federal source revenue	13,292
Other, local source revenues	392,815
Total	$ 4,273,397

The amount reported in the Food Service Fund as due from other governments of $144,492 represents $23,317 due from the Pennsylvania Department of Education (PDE) for state meal subsidies, as well as $121,175 in federal funds passed through the PDE.

5. CAPITAL ASSETS

The changes in the District's capital assets in 2023 are summarized as follows:

	BALANCE JULY 1, 2022	INCREASE	DECREASE	BALANCE JUNE 30, 2023
Governmental activities:				
Cost:				
Land	$ 539,550			$ 539,550
Construction in progress	440,882		$ (440,882)	-
Land improvements	5,035,803			5,035,803
Buildings and improvements	66,024,366	$ 542,285		66,566,651
Furniture and equipment	5,324,520	106,180	(45,874)	5,384,826
Total cost	77,365,121	648,465	(486,756)	77,526,830
Less accumulated depreciation:				
Land improvements	(2,903,003)	(238,370)		(3,141,373)
Buildings and improvements	(33,379,022)	(1,843,571)		(35,222,593)
Furniture and equipment	(3,867,271)	(151,396)	45,874	(3,972,793)
Total accumulated depreciation	(40,149,296)	(2,233,337)	45,874	(42,336,759)
Governmental activities capital assets, net	$ 37,215,825	$(1,584,872)	$ (440,882)	$35,190,071
Business – type activity:				
Furniture and equipment	$ 174,299			$ 174,299
Less accumulated depreciation	(127,468)	$ (11,479)		(138,947)
Business-type activity capital assets, net	$ 46,831	$ (11,749)		$ 35,352

6. BONDS PAYABLE

In fiscal 2019, the District issued $7,550,000 of general obligation bonds (Series of 2019) to currently refund a note payable and to finance various capital improvements. These bonds are due in varying annual installments plus interest at rates ranging from 2.125% to 4.00%, with final maturity scheduled for 2027.

In fiscal 2022, the District issued $9,460,000 of general obligation bonds (Series of 2021) to currently refund prior bonds payable. These bonds are due in varying annual installments plus interest at rates ranging from 2.00% to 4.00%, with final maturity scheduled for 2025.

The Series of 2019 and 2021 are considered direct placement borrowings.

The following summarizes the changes in bonds payable in 2023:

	BALANCE JULY 1, 2022	INCREASE	DECREASE	BALANCE JUNE 30, 2023
Series of 2019	$ 7,505,000		$ (5,000)	$7,505,000
Series of 2021	6,780,000		(3,080,000)	3,700,000
Total face value	14,285,000		(3,085,000)	11,205,000
Bond premiums	424,178		(139,566)	284,612
Total	$14,709,178		$(3,224,566)	$11,489,612

Total interest paid on these bonds in 2023 was $404,931. No interest is reported as a direct expense in the statement of activities.

The following summarizes the District's scheduled debt service on its bonds payable:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2024	$ 3,150,000	$343,131	$ 3,493,131
2025	3,270,000	217,131	3,487,131
2026	3,425,000	113,432	3,538,432
2027	1,355,000	40,650	1,395,650
Total	$11,200,000	$714,344	$11,914,344

7. COMPENSATED ABSENCES

The following summarizes the changes in compensated absences in 2023:

	Governmental Activities	Business-type Activity
Balance, July 1, 2022	$1,489,093	$58,600
Increases	421,254	7,560
Decreases	(333,135)	(14,895)
Balance, June 30, 2023	1,577,212	51,265
Less current portion	157,721	5,127
Long-term compensated absences	$1,419,491	$46,138

The District pays its compensated absences from the General Fund (governmental activities) and the Food Service Fund (business-type activity).

8. RETIREMENT PLAN

PLAN DESCRIPTION

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

BENEFITS PROVIDED

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Class T-E and Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally equal to 1% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon death of an active member who has reached age 62 with at least 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective of the member had retired on the day before death.

MEMBER CONTRIBUTIONS

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

Members who joined PSERS on or after July 22, 1983, contribute 6.25% (Membership Class T-C) or 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 1, 2011 who elected Membership Class T-E or T-F contribute 7.50% or 10.30% (base rates), respectively, of the member's qualifying compensation. Class T-E and Class T-F members are affected by a "shared risk" provision that in future fiscal years could cause the Class T-E contribution rate to fluctuate between 5.50% and 9.50% and the Class T-F contribution rate to fluctuate between 8.30% and 12.30%. The contribution rates for Class T-E and T-F are 8.00% and 10.80%, respectively, for periods after July 1, 2021 due to the shared risk provision.

Members who joined PSERS after June 30, 2019 and elected Membership Class T-G or T-H contribute 5.50% or 4.50% (base rates), respectively, of the member's qualifying compensation. Class T-G and Class T-H members are also subject to the shared risk provision that in future fiscal years could cause the Class T-G contribution rate to fluctuate between 2.50% and 8.50% and the Class T-H contribution rate to fluctuate between 1.50% and 7.50%. The contribution rates for Class T-G and T-H are 6.25% and 5.25%, respectively, for periods after July 1, 2021 due to the shared risk provision. In addition, these members contribute 2.75% (Class T-G) and 3.00% (Class T-H) to a defined contribution plan.

DISTRICT CONTRIBUTIONS

The District's contractually required contribution rate for PSERS for the fiscal year ended June 30, 2023 was 34.31% (including the defined contribution rate of .20%, which is an estimated rate) of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were approximately $6,906,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $59,041,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability is calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion of .1328%, which was a decrease of .0021% from its proportion calculated as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of $4,844,000. At June 30, 2023, 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		$ 1,002,000
Changes in proportion	$ 1,480,000	
Changes in assumptions	1,763,000	726,000
Difference between expected and actual experience	27,000	511,000
Difference between employer contributions and proportionate share of total contributions	47,000	24,000
Contributions after the measurement date	6,906,000	
Total	$ 10,223,000	$ 2,263,000

The District will recognize the $6,906,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDING JUNE 30	
2024	$ 714,000
2025	707,000
2026	(1,765,000)
2027	1,398,000
Total	$1,054,000

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period 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 PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

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

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

DISCOUNT RATE

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

SENSITIVITY OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the District's proportionate share of the net pension liability, calculated using the current discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or higher 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	$76,366,000	$59,041,000	$44,435,000

PENSION PLAN FIDUCIARY NET POSITION

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

9. SPECIAL TERMINATION BENEFITS

The District's collective bargaining agreements provide an early retirement incentive for those employees who retire with a specified level of service to the District and with PSERS. The District pays eligible employees $19,000 annually for a maximum of five years. The number of payments is reduced by one for each year worked after initial eligibility for this benefit. The liability is discounted using a rate of 4%. Twelve retirees are receiving this benefit as of June 30, 2023. Payments are made from General Fund.

Changes in the special termination benefits liability in 2023 were as follows:

Balance, July 1, 2022	$ 698,000
Additions	152,000
Payments	(187,500)
Balance, June 30, 2023	662,500
Less unamortized discount	29,289
Present value of special termination benefits	633,211
Less current portion	225,500
Long-term special termination benefits	$ 407,711

10. INTERNAL BALANCES / INTERFUND TRANSFERS

The Food Service Fund owed the General Fund $1,054,215 at June 30, 2023 for reimbursement of salaries and benefits. This balance is expected to be paid in 2024. The following summarizes the interfund transfers in 2023:

	TRANSFERS IN	TRANSFERS OUT
General Fund, Debt Service Fund		$ 3,489,931
Debt Service Fund, General Fund	$ 3,489,931	
Total	$ 3,489,931	$ 3,489,931

The General Fund transferred funds to the Debt Service Fund to pay long-term debt as it came due.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

DISTRICT OPEB PLAN (DISTRICT PLAN)

PLAN DESCRIPTION AND BENEFITS

The District provides postemployment healthcare benefits for its employees who meet minimum District and PSERS service requirements under a plan that is considered a single employer plan. For teachers and administrative employees that retired prior to July 1, 2014, benefits include payment of 100% of the premiums for medical, prescription drug, dental, and vision for the employees and their family until age 65. For administrative employees that retired between July 1, 2014 and June 30, 2017 and met the minimum service requirements, the District pays 100% of the employee and their spouses' premiums for medical and prescription drug until age 65. The retirees must pay 100% of any dental and vision premiums, if elected. If the administrative employee did not meet the specified service requirement, the employee and spouse may continue coverage by paying 100% of any premiums until age 65.

In addition, under Act 110 of 1998 and Act 43 of 1989, other retired employees may continue to receive benefits by paying 100% of the cost of such coverage until age 65.

The contribution requirements of plan members and the District are established and may be amended by the Board of Education. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. As such, the plan is unfunded, there is no underlying trust, and no financial report is prepared.

EMPLOYEES COVERED BY THE DISTRICT PLAN

At July 1, 2021, a total of 318 participants were covered by the District Plan, including 301 active participants and 17 inactive (retired) participants currently receiving benefits. There were no participants entitled to but not receiving benefits under the District Plan.

DISTRICT PLAN TOTAL OPEB LIABILITY

The District Plan's total OPEB liability of $1,374,711 was measured as of June 30, 2023, as rolled forward from an actuarial valuation as of July 1, 2021.

CHANGES IN THE DISTRICT PLAN TOTAL OPEB LIABILITY

Balance at July 1, 2022	$1,873,908
Service cost	78,900
Interest	41,172
Changes in assumptions	(347,886)
Benefit payments	(271,383)
Balance at June 30, 2023	$1,374,711

The changes in assumptions amount results from a change in the discount rate from 2.28% to 4.06%.

DISTRICT PLAN OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

For the year ended June 30, 2023, the District recognized OPEB expense of $57,302 for the District Plan. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the District Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 130,624	$ 386,329
Difference between expected and actual experience		326,294
District contributions after the measurement date	201,616	
Total	$ 332,240	$ 712,623

The $201,616 reported as deferred outflows of resources from District contributions after the measurement date will be recognized as a reduction of the District Plan's total OPEB liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDING JUNE 30	
2024	$ (62,770)
2025	(62,770)
2026	(62,770)
2027	(62,770)
2028	(62,770)
Thereafter	(268,149)
Total	$ (581,999)

DISTRICT PLAN ACTUARIAL ASSUMPTIONS

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

- Valuation date – June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Discount rate – 4.06% based on the S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022.
- Salary growth - 2.50% cost of living adjustment, 1.50% real wage growth, and for teachers and administrators, a merit increase which varies by age from 2.75% to 0%.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally Scale MP-2021 to reflect mortality improvement.
- Healthcare cost trend rates - 6.50% in 2022, 6.00% in 2023, 5.50% in 2024 through 2025, with rates gradually decreasing from 5.40% in 2026 to 3.90% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

SENSITIVITY TO CHANGES IN THE DISCOUNT RATE

The following presents the District Plan's total OPEB liability, as well as what the District Plan's total OPEB liability would be if it were calculated a discount rate that is 1% lower and higher than the current discount rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
District Plan total OPEB liability	$1,459,493	$1,374,711	$1,293,893

SENSITIVITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the District Plan's total OPEB liability, as well as what the District Plan's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
District Plan total OPEB liability	$1,247,172	$1,374,711	$1,523,785

PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (PSERS PLAN)

GENERAL INFORMATION ABOUT THE HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

PSERS provides Premium Assistance, which is a governmental cost-sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

PREMIUM ASSISTANCE ELIGIBILITY CRITERIA

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

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

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

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

DISTRICT CONTRIBUTIONS

The District's contractually required contribution rate for the year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS plan from the District were approximately $151,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $2,441,000 for its proportionate share of the PSERS Plan's net OPEB liability. The PSERS Plan's net OPEB liability was measured as of June 30, 2022, and the PSERS Plan's total OPEB liability used to calculate the PSERS Plan's net OPEB liability was determined by rolling forward the PSERS Plan's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the PSERS Plan's net OPEB liability was calculated utilizing the District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .1326%, which was a decrease of .0021% from its proportion calculated as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of $96,000 for the PSERS Plan. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the PSERS Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ 7,000	
Changes in proportion	131,000	$ 42,000
Changes in assumptions	271,000	576,000
Difference between expected and actual experience	22,000	13,000
District contributions after the measurement date	151,000	
Total	$ 582,000	$ 631,000

The District will recognize the $151,000 reported as deferred outflows of resources resulting from PSERS Plan OPEB contributions after the measurement date as a reduction of the PSERS Plan's total OPEB liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

YEAR ENDING JUNE 30	
2024	$ (38,000)
2025	(12,000)
2026	(36,000)
2027	(52,000)
2028	(62,000)
Total	$ (200,000)

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09% - S&P 20-Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate pre age 65 at 50%.
    - Eligible retirees will elect to participate post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market value.
- Participation rate: The actual data for retirees benefiting under the PSERS Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

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

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

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, 2022.

Discount Rate

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

Sensitivity to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2022, 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. 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 PSERS Plan's net OPEB liability, as well as what the proportionate share of the PSERS Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or higher than the current healthcare trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
District's proportionate share of the PSERS Plan's net OPEB liability	$2,441,000	$2,441,000	$2,441,000

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the District's proportionate share of the PSERS Plan's net OPEB liability, as well as what the proportionate share of the PSERS Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current discount rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the PSERS Plan's net OPEB liability	$2,760,000	$2,441,000	$2,174,000

OPEB Plan Fiduciary Net Position

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

12. CONTINGENCIES

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

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

13. TAX ABATEMENTS

The District may enter into property tax abatements with local property owners under the Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act of 1998 (Act). The Act authorizes political subdivisions to apply to the Pennsylvania Department of Community and Economic Development for designation of an area within the respective political subdivision as a Keystone Opportunity Expansion Zone granting exemptions, deductions, abatements, or credits from all taxes identified in the Act. The District had no abated property taxes in 2023.

14. FUTURE ACCOUNTING STANDARD

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* This guidance updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 is effective for the District's fiscal year ending June 30, 2025. The District has not yet determined the effects of the adoption of this guidance on its financial statements.

WESTERN WAYNE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PSERS NET PENSION LIABILITY
YEARS ENDED JUNE 30
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the PSERS net pension liability	0.1328%	0.1349%	0.1288%	0.1287%	0.1271%	0.1227%	0.1243%	0.1130%	0.1276%
District's proportionate share of the PSERS net pension liability	$ 59,041	$ 55,386	$ 63,420	$ 60,209	$ 61,014	$ 60,600	$ 61,599	$ 48,946	$ 50,505
District's covered employee payroll	$ 19,504	$ 19,093	$ 18,072	$ 17,744	$ 17,113	$ 16,333	$ 16,102	$ 14,535	$ 16,277
District's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	302.71%	290.09%	350.93%	339.32%	356.54%	371.03%	382.55%	336.75%	310.28%
PSERS plan fiduciary net position as a percentage of the PSERS total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Information for years prior to 2015 is not available

WESTERN WAYNE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PSERS PENSION CONTRIBUTIONS
YEARS ENDED JUNE 30
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
PSERS contractually required contribution	$ 6,906	$ 6,683	$ 6,361	$ 6,017	$ 5,763	$ 5,493	$ 4,821	$ 3,940	$ 2,960
Contributions in relation to the contractually required contribution	(6,906)	(6,683)	(6,361)	(6,017)	(5,763)	(5,493)	(4,821)	(3,940)	(2,960)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 19,504	$ 19,093	$ 18,072	$ 17,744	$ 17,113	$ 16,333	$ 16,102	$ 14,535	$ 16,277
Contributions as a percentage of covered-employee payroll	35.41%	35.00%	35.20%	33.91%	33.68%	33.63%	29.94%	27.11%	18.19%

Information for years prior to 2015 is not available.

WESTERN WAYNE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PSERS NET OPEB LIABILITY
YEARS ENDED JUNE 30
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2023	2022	2021	2020	2019	2018
District's proportion of the PSERS net OPEB liability	0.1326%	0.1349%	0.1288%	0.1287%	0.1271%	0.1227%
District's proportionate share of the PSERS net OPEB liability	$ 2,441	$ 3,192	$ 2,783	$ 2,737	$ 2,650	$ 2,500
District's covered employee payroll	$ 19,504	$ 19,093	$ 18,072	$ 17,744	$ 17,113	$ 16,333
District's proportionate share of the PSERS net OPEB liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.40%	15.42%	15.49%	15.31%
PSERS plan fiduciary net position as a percentage of the PSERS total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

Information for years prior to 2018 is not available.

WESTERN WAYNE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PSERS OPEB CONTRIBUTIONS
YEARS ENDED JUNE 30
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2023	2022	2021	2020	2019	2018
PSERS contractually required contribution	$ 151	$ 157	$ 156	$ 152	$ 147	$ 141
Contributions in relation to the contractually required contribution	(151)	(157)	(156)	(152)	(147)	(141)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 19,504	$ 19,093	$ 18,072	$ 17,744	$ 17,113	$ 16,333
Contributions as a percentage of covered-employee payroll	0.77%	0.82%	0.86%	0.86%	0.86%	0.86%

Information for years prior to 2018 is not available.

WESTERN WAYNE SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY - DISTRICT PLAN
YEARS ENDED JUNE 30
(UNAUDITED)

	2023	2022	2021	2020	2019	2018
Service cost	$ 78,900	$ 84,724	$ 61,137	$ 67,532	$ 63,585	$ 117,878
Interest	41,172	41,309	77,808	87,600	104,240	106,876
Change in benefit terms	-	(32,387)	-	-	-	(352,872)
Differences between expected and actual experience	-	(132,585)	-	(224,940)	-	(131,697)
Changes in assumptions	(347,886)	(41,722)	164,398	(41,970)	12,556	(9,374)
Benefit payments	(271,383)	(396,342)	(451,672)	(569,618)	(581,529)	(705,532)
Net change	(499,197)	(477,003)	(148,329)	(681,396)	(401,148)	(974,721)
Total OPEB liability, beginning	1,873,908	2,350,911	2,499,240	3,180,636	3,581,784	4,556,505
Total OPEB liability, ending	$ 1,374,711	$ 1,873,908	$ 2,350,911	$ 2,499,240	$ 3,180,636	$ 3,581,784
Covered-employee payroll	$ 18,718,464	$ 18,718,464	$ 16,543,726	$ 16,543,726	$ 15,369,478	$ 15,369,478
Total OPEB liability as a percentage of covered-employee payroll	7.34%	10.01%	14.21%	15.11%	20.69%	23.30%

The Plan is unfunded; therefore, total and net OPEB liability are the same.

Information for years prior to 2018 is not available.

WESTERN WAYNE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	PASS-THROUGH GRANTOR NUMBER	ASSISTANCE LISTING NUMBER	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2022	REVENUES RECOGNIZED	FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2023
U.S. DEPARTMENT OF EDUCATION								
Passed through the Pennsylvania Department of Education (PDE):								
Title 1 Grants to Local Education Agencies	013-230479	84.010	$ 466,131	$ 247,817	$ -	$ 372,646	$ 372,646	$ 124,829
Title 1 Grants to Local Education Agencies	013-220479	84.010	456,091	182,245	97,067	85,178	85,178	-
Total				430,062	97,067	457,824	457,824	124,829
Supporting Effective Instruction State Grants	020-230479	84.367	70,170	51,831	-	70,170	70,170	18,339
Student Support and Academic Enrichment	144-230479	84.424	38,164	36,355	-	38,164	38,164	1,809
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	200-210479	84.425D	1,913,105	444,908	197,306	219,828	219,828	(27,774)
COVID-19 American Rescue Plan (ARP) ESSER	223-210479	84.425U	3,869,657	633,217	(224,896)	1,250,330	1,250,330	392,217
COVID-19 ARP ESSER	225-210479	84.425U	300,760	87,494	14,859	82,738	82,738	10,103
COVID-19 ARP ESSER	181-212480	84.425W	15,834	406	(1,218)	689	689	(935)
Total				1,166,025	(13,949)	1,553,585	1,553,585	373,611
Special Education Cluster (IDEA):								
Passed through PDE:								
COVID-19 ARP Special Education - Grants to States	232-210034	84.027	13,411	8,941	8,941	-	-	-
Passed through NEIU # 19:								
Special Education - Grants to States	N/A	84.027	462,560	-	64,169	398,391	398,391	462,560
Total				8,941	73,110	398,391	398,391	462,560
Passed through PDE:								
COVID-19 ARP Special Education - Preschool Grants	231-210034	84.173	34,106	22,737	22,737	-	-	-
Passed through NEIU # 19:								
Special Education - Preschool Grants	N/A	84.173	5,670	5,670	46,113	1,134	1,134	41,577
Total				28,407	68,850	1,134	1,134	41,577
Total Special Education Cluster (IDEA)				37,348	141,960	399,525	399,525	504,137
Total U.S. Department of Education				1,721,621	225,078	2,519,268	2,519,268	1,022,725
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through the Pennsylvania Department of Human Services,								
Medical Assistance Program	N/A	93.778	36,643	51,582	28,231	36,643	36,643	13,292
U.S. DEPARTMENT OF AGRICULTURE								
Passed through PDE:								
Child and Adult Care Food Program	164	10.558	7,820	7,560	-	7,820	7,820	260
Pandemic EBT Administrative Costs	358	10.649	628	628	-	628	628	-
Child Nutrition Cluster:								
School Breakfast Program	365	10.553	218,262	235,593	55,083	218,262	218,262	37,752
National School Lunch Program	356	10.555	609,818	651,575	124,698	609,818	609,818	82,941
Passed through the Pennsylvania Department of Agriculture,								
Food Donation	N/A	10.555	70,095	70,095	-	70,095	70,095	-
Total Child Nutrition Cluster				957,263	179,781	898,175	898,175	120,693
Total U.S. Department of Agriculture				965,451	179,781	906,623	906,623	120,953
TOTAL				$ 2,738,654	$ 433,090	$ 3,462,534	$ 3,462,534	$ 1,156,970

See Notes to Schedule of Expenditures of Federal Awards

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures, other than Child Nutrition Cluster expenditures, are reported on the Schedule on the modified accrual basis of accounting. Child Nutrition Cluster expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If applicable, negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

The District elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Brian T. Kelly, CPA
& Associates, LLC

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

To the Board of Education of the
Western Wayne School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Western Wayne School District (District), as of and for the year ended June 30, 2023, 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 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

B. K. Kelly CPA & Associates L.L.C.

Carbondale, Pennsylvania
January 26, 2024

Independent Auditors' Report On Compliance For the Major Federal Program And Report On Internal Control Over Compliance Required By The Uniform Guidance

To the Board of Education of the
Western Wayne School District:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Western Wayne School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the 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; 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 the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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

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

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

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

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

B. K. Kelly CPA & Associates L.L.C.

Carbondale, Pennsylvania
January 26, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	______ yes __X__ no
• Significant deficiency(ies) identified?	______ yes __X__ none reported
Noncompliance material to financial statements noted?	______ yes __X__ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	______ yes __X__ no
• Significant deficiency(ies) identified?	______ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ yes __X__ no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund – ESSER and ARP ESSER

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

Auditee qualified as low-risk auditee? ____X____ yes _______ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.