

Shaler Area School District

Financial Statements and
Required Supplementary and
Supplementary Information

Year Ended June 30, 2022 with
Independent Auditor's Reports

MaherDuessel

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SHALER AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2022

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Independent Auditor's Report

**Board of Directors
Shaler Area School District**

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 March 1, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School 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 School District's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
March 1, 2023

Shaler Area School District
Management's Discussion and Analysis
June 30, 2022

The Management's Discussion and Analysis (MD&A) of Shaler Area School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this MD&A is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

The School District realized more favorable results than originally estimated, as the School District budgeted for a loss of \$5.9M. At year-end, the total General Fund balance decreased \$2.9M from the previous year's \$12.4M to \$9.5M.

Several practices had been implemented to aid the School District to operate in a fiscally prudent manner beginning in the fiscal year 2016/2017, and continuing through the subsequent fiscal years, along with additional procedures as needed. Rising Public School Employees' Retirement System (PSERS) costs, debt service increases, capital improvements, and flat level funding from state and federal resources are opposing forces that will be competing for financial resources across many states for several years.

In summary, the 2021/2022 financial results are due to a number of items, including a strict enforcement of curtailing expenditures as in previous years. As a result of the budget restrictions, there have been savings in many line items since the 2016/2017 fiscal year. For 2021/2022, overall salaries increased almost as much as planned. Salaries increased 6% or \$2.3M, for a total positive variance from planned for approximately \$471K, which is approximately 1.2% less than budgeted. In addition, the results show a similar savings in benefits, which included Social Security and retirement reductions of approximately \$304K that were directly attributed to the decrease in salaries from budget. Overall benefits increased \$1.3M, which is approximately 5% from the prior year. Medical benefits only increased 2% over the prior year even with an 8% increase in coverage costs. Large reductions from budget were also recognized in transportation costs of \$1.4M decrease from budget which were offset by \$571K increase, or 10%, for charter school and other tuition. Professional educational services increased 5% over the prior year with a total variance from budget of 11.9%, or an additional \$102K in services. Federal ESSER funding expenditures amounted to expenditures of \$3.2M. HVAC improvements of \$826K were incurred as part of these funds. Overall, on the revenue side, the School District experienced higher than anticipated receipts due to a number of factors. The School District's largest revenue source by far is derived locally at 52.9% of the total actual revenue. Within the local revenue, current real estate taxes make up the largest portion, in which the School District collected \$47.4M, or 43.1% of total General Fund revenue. Current real estate and earned income taxes along with deed transfers were higher than budgeted for by \$787K, \$438K, and \$183K respectively. Delinquent real estate taxes increased \$1M from the prior year. Investment income decreased during the year which is projected to increase in the upcoming 2022/2023 fiscal year as a result of increased savings and loan rates.

Notably, State revenue showed a decrease in the State for the School District's transportation, Social Security, and PSERS reimbursements. Monies received from the Commonwealth of Pennsylvania make up 30.9% of the School District's total revenue. State sources were less than budgeted for by approximately \$1.3M. Basic education, special education and transportation subsidies were lower than budgeted for by \$91K, \$275K and \$938K respectively. Retirement and social security reimbursement decreased \$367K which is a correlation of the lower salary variance from budget. Revenue received from federal sources, earmarked for certain programs, were higher than budget, "which included \$1.9M" due to ESSERS funds related to amounts expended during 2021-22.

Overall expenditures before financing/refunding for the General Fund were approximately \$553K more than the original budget, which accounts for a 0.65% variance from original budget. The required School District's percentage cost of PSERS increased from 34.51% of payroll to 34.94% for fiscal year 2021/2022.

The School District continued to experience a positive cash flow as it relates to its variable rate debt service issue (swap), which assisted in lowering the overall cost of debt service obligations of the School District and added to the Debt Service Fund of the School District.

In the fiscal year 2022 budgeting process, the Board of Directors did not adjust the property tax millage; it remained at 23.5319 mills.

Using the Financial Statements

The Annual Audit Report consists of a financial section and a single audit section, which is issued to comply with federal guidelines as required by *Government Auditing Standards* and the Uniform Guidance. Within the financial section are the MD&A (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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

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

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

Figure A-1
Required Components of
Shaler Area School District's
Financial Report

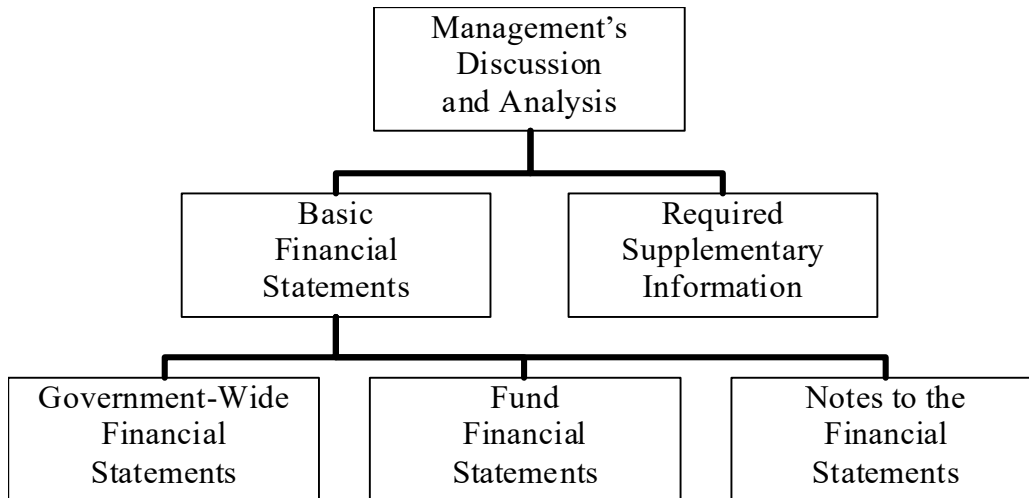


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

Figure A-2
Major Features of Shaler Area School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position

Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Financial Statements

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

The two government-wide financial statements report the School District's net position and how they have changed.

Net position, the difference between the School District's assets, deferred outflows, liabilities, and deferred inflows, is only one way to measure the School District's financial health or position.

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

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

The government-wide financial statements of the School District are divided into two categories:

Governmental activities - All of the School District's basic services are included here, such as instruction, administration, and community services. Property taxes and state and federal subsidies and grants finance most of these activities.

Business-type activities - The School District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with page 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

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

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

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position on page 11. We exclude these activities from the School District's other financial statements, because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(126,511,486) at June 30, 2022 and a deficit \$(131,200,782) at June 30, 2021.

Table A-1
Year Ended June 30, 2022
Net Position

	Governmental Activities	Business-Type Activities	Total
Assets			
Current and other assets	\$ 37,661,634	\$ 1,047,842	\$ 38,709,476
Capital assets (net)	79,326,437	47,875	79,374,312
Total Assets	116,988,071	1,095,717	118,083,788
Deferred Outflows of Resources			
Deferred charge on refunding	26,438	-	26,438
Deferred outflows of resources for pension	20,034,445	-	20,034,445
Deferred outflows of resources for OPEBS	3,319,954	-	3,319,954
Deferred outflows of resources for derivative	355,282	-	355,282
Total Deferred Outflows of Resources	23,736,119	-	23,736,119
Liabilities			
Current and other liabilities	14,454,045	(79,843)	14,374,202
Long-term liabilities:			
Due within one year	2,209,871	-	2,209,871
Due in more than one year	229,797,114	-	229,797,114
Total Liabilities	246,461,030	(79,843)	246,381,187
Deferred Inflows of Resources			
Deferred inflows of resources for pension	19,191,000	-	19,191,000
Deferred inflows of resources for OPEBS	2,759,206	-	2,759,206
Total Deferred Inflows of Resources	21,950,206	-	21,950,206
Net Position			
Net investment in capital assets	(24,037,832)	47,875	(23,989,957)
Restricted	993,878	-	993,878
Unrestricted	(104,643,092)	1,127,685	(103,515,407)
Total Net Position	\$ (127,687,046)	\$ 1,175,560	\$ (126,511,486)

Year Ended June 30, 2021
Net Position

	Governmental Activities	Business-Type Activities	Total
Assets			
Current and other assets	\$ 38,388,285	\$ 333,384	\$ 38,721,669
Capital assets (net)	79,042,756	39,293	79,082,049
Total Assets	117,431,041	372,677	117,803,718
Deferred Outflows of Resources			
Deferred charge on refunding	398,390	-	398,390
Deferred outflows of resources for pension	20,835,814	-	20,835,814
Deferred outflows of resources for OPEBS	2,867,708	-	2,867,708
Deferred outflows of resources for derivative	949,331	-	949,331
Total Deferred Outflows of Resources	25,051,243	-	25,051,243
Liabilities			
Current and other liabilities	11,699,526	71,096	11,770,622
Long-term liabilities:			
Due within one year	5,091,880	-	5,091,880
Due in more than one year	250,910,375	-	250,910,375
Total Liabilities	267,701,781	71,096	267,772,877
Deferred Inflows of Resources			
Deferred inflows of resources for pension	3,242,000	-	3,242,000
Deferred inflows of resources for OPEBS	3,040,866	-	3,040,866
Total Deferred Inflows of Resources	6,282,866	-	6,282,866
Net Position			
Net investment in capital assets	(24,744,823)	39,293	(24,705,530)
Restricted	983,387	-	983,387
Unrestricted	(107,740,927)	262,288	(107,478,639)
Total Net Position	\$ (131,502,363)	\$ 301,581	\$ (131,200,782)

The results of this year's operations as a whole are reported in the statement of activities on page 2. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania and the local taxes (property and earned income) assessed to community taxpayers.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Year Ended June 30, 2022
Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 108,234	\$ 234,262	\$ 342,496
Operating grants and contributions	18,872,387	2,458,309	21,330,696
Capital grants and contributions	350,599	-	350,599
General revenues:			
Property taxes	50,274,437	-	50,274,437
Other taxes	7,215,810	-	7,215,810
Gain (loss) on sale of assets	119,774	-	119,774
Grants, subsidies/contributions, unrestricted	13,891,800	-	13,891,800
Investment earnings	37,445	846	38,291
Miscellaneous income	106,065	-	106,065
Total revenues	90,976,551	2,693,417	93,669,968
Expenses:			
Instruction	54,896,617	-	54,896,617
Instructional student support	6,551,303	-	6,551,303
Administrative and financial support services	6,258,139	-	6,258,139
Operation of plant and maintenance services	7,551,690	-	7,551,690
Pupil transportation	3,758,053	-	3,758,053
Student activities	1,985,071	-	1,985,071
Community services	89,616	-	89,616
Unallocated expenses	6,070,745	-	6,070,745
Food services	-	1,819,438	1,819,438
Total expenses	87,161,234	1,819,438	88,980,672
Change in Net Position	\$ 3,815,317	\$ 873,979	\$ 4,689,296

Year Ended June 30, 2021
Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 36,688	\$ 65,518	\$ 102,206
Operating grants and contributions	18,026,962	963,668	18,990,630
Capital grants and contributions	167,591	-	167,591
General revenues:			
Property taxes	48,604,941	-	48,604,941
Other taxes	6,434,254	-	6,434,254
Gain (loss) on swap termination	(128,932)	-	(128,932)
Grants, subsidies/contributions, unrestricted	13,729,383	-	13,729,383
Investment earnings	199,393	9	199,402
Miscellaneous income	130,534	-	130,534
Total revenues	<u>87,200,814</u>	<u>1,029,195</u>	<u>88,230,009</u>
Expenses:			
Instruction	57,114,851	-	57,114,851
Instructional student support	6,261,803	-	6,261,803
Administrative and financial support services	6,743,115	-	6,743,115
Operation of plant and maintenance services	7,488,602	-	7,488,602
Pupil transportation	2,734,726	-	2,734,726
Student activities	1,995,260	-	1,995,260
Community services	29,898	-	29,898
Unallocated expenses	4,679,389	-	4,679,389
Food services	-	998,602	998,602
Total expenses	<u>87,047,644</u>	<u>998,602</u>	<u>88,046,246</u>
Change in Net Position	<u>\$ 153,170</u>	<u>\$ 30,593</u>	<u>\$ 183,763</u>

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

Table A-3
Year Ended June 30, 2022
Governmental Activities

Functions/Programs:	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 54,896,617	\$ 41,152,442
Instructional student support	6,551,303	5,575,994
Administrative and financial support services	6,258,139	5,445,908
Operation of plant and maintenance services	7,551,690	6,825,501
Pupil transportation	3,758,053	1,468,501
Student activities	1,985,071	1,633,549
Community services	89,616	7,973
Unallocated expenses	6,070,745	5,720,146
	<u><u>\$ 87,161,234</u></u>	
Total governmental activities		67,830,014
Less:		
Grants, subsidies, and contributions not restricted		<u>13,891,800</u>
Total Needs from Local Taxes and Other Revenues		<u><u>\$ 53,938,214</u></u>

Table A-4 reflects the activities of the food service program, the only business-type activities of the School District.

Table A-4
Year Ended June 30, 2022
Business-Type Activities

Functions/Programs:	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$ 1,819,438	\$ (873,133)
	<u><u>\$ 1,819,438</u></u>	(873,133)
Total business-type activities		
Less:		
Grants, subsidies, and contributions not restricted		<u>-</u>
Total Needs from Other Revenues		<u><u>\$ (873,133)</u></u>

The statement of revenues, expenses, and changes in fund net position for this proprietary fund shown on page 8 will further detail the actual results of operations.

Fund Financial Statements

School District Funds

At June 30, 2022, the School District's General Fund reported a fund balance of \$9.5M, which is a decrease of approximately \$2.9M over the prior year.

In addition to the General Fund, the School District has an active Construction, Renovation, and Repair Fund and two Capital Projects Funds which are part of its governmental activities. The Construction, Renovation, and Repair Fund is used for emergency capital expenditures only. The Capital Projects Funds were funded from the Series of 2016 and 2019 bonds for various major construction additions and renovation projects. At year-end, these funds had a combined funded balance of \$5.2M.

General Fund Budget

During the fiscal year, the administration recommended that the Board of Directors authorize revisions to the original budget to accommodate actual expenditures. These budget transfers reallocate unencumbered funds designated for one purpose to another part of the budget to be used for a different purpose.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the School District had net capital assets of \$79,326,437 invested in a broad range of capital assets, including land, buildings, construction in progress, furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$284K or approximately (0.4%) from last year.

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	<u>2022</u>	<u>2021</u>
Land	\$1,553,540	\$1,553,540
Construction in Progress	770,490	4,308,612
Land Improvements	2,671,227	2,909,922
Buildings and Building Improvements	72,693,383	59,450,088
Furniture and Equipment	1,637,797	820,594

More detailed information on capital assets is included in Note 4 to the financial statements.

Debt Administration

As of July 1, 2021, the School District included in its long-term liabilities \$90,692,848 for general obligation bonds. During the year 2021/2022, the School District issued debt of \$19,585,000, made principal payments of \$20,815,000, and recorded accretion of interest on capital appreciation bonds in the amount of \$2,661,327, resulting in an ending balance of \$92,124,175.

Table A-6
Outstanding Debt

<u>General Obligation Bonds/Notes</u>	<u>As of 06/30/22</u>	<u>As of 06/30/21</u>
Bonds - Series of 1997A	\$3,233,200	\$6,780,817
Bonds - Series 2006	25,935,975	23,472,031
Bonds - Series of 2015	455,000	460,000
Bonds - Series of 2016B	20,575,000	20,675,000
Bonds - Series of 2016C	20,000	14,020,000
Bonds - Series of 2016D	20,000	2,700,000
Bonds - Series of 2019	12,735,000	12,740,000
Bonds - Series of 2020	9,760,000	9,845,000
Bonds - Series of 2021A	16,290,000	-
Bonds - Series of 2021B	3,100,000	-
Notes - PNC 2014	8,525,000	8,630,000
Notes - Series of 2016A	1,770,000	2,265,000
Notes - Series of 2016	1,214,262	1,360,906

Other obligations include net pension and OPEB liabilities, accrued vacation pay and sick leave for specific employees of the School District and several financed purchases for duplicating equipment and instructional equipment. More detailed information about our long-term liabilities is included in the notes to financial statements.

Bond Rating

Standard & Poor's (S&P) Rating

S&P Global Ratings maintained consistent with the previous fiscal year. The School District maintains an "A+" rating with a stable outlook on the School District's Pennsylvania general obligation (GO) bonds.

Future Concerns and Next Year's Budget

There has been much discussion on the projected rate hike in the employer's contribution of the Public School Employees' Retirement System (PSERS), especially as it relates to the exponential growth over the past years and going into the future. The 2021/2022 employer contribution rate to PSERS was 34.94%. The employer contribution rate applied to salary and wages for fiscal year 2022/2023 will be 35.26%.

Steps must be taken at the state level and the School District level to mitigate and manage the continual increase in rates. If not addressed, this will have a significant impact on the fiscal structure of all school districts and the Commonwealth of Pennsylvania.

The School District is experiencing a decline in enrollment, and studies show this trend to continue in future years. This decline will have a direct impact on staffing needs, building footprint, and other costs associated with the School District.

The School District must be aware of the special education needs of the School District and its impact on future budgets, especially with respect to the personnel costs and placement of students in private centers outside of the School District, as well as extended school year programs.

The School District will receive \$2,039,384 in the state property tax reduction allocation, which is similar to the previous year's allocation. This translates into a \$7,254 reduction in assessed valuation, which represents an approximate \$171 credit on each homestead property tax bill. It is important to note this is a revenue neutral program for the School District whereby all proceeds received by the School District are allocated to the qualified homestead properties. There are approximately 11,947 qualified homestead properties in the School District. It is important to note that the gaming revenue is not guaranteed and may be different amounts from year to year.

A portion of Act 1 legislation enacted in 2006 requires school districts to limit tax increases to a level set by an inflation index established by the Pennsylvania Department of Education, unless the tax increase is approved by voters in a referendum or the school district obtains, from the Department of Education or a court of common pleas, certain referendum exceptions. The School District must adhere to this limit. Since this index is established using several economic indices, the index for fiscal year 2022/2023 is expected to be 4.2%, which limits school districts in their ability to raise millage for ongoing budgetary commitments. In addition, the Pennsylvania legislature in 2011 narrowed the list of cost exceptions a school district can request to the Pennsylvania Department of Education to three areas: Pennsylvania school employees' retirement costs; special education; and debt service. The Board of Directors has voted to not raise taxes for 2022/2023, for the fourth year in a row.

Developing a Fiscally Astute Organization

The administration will continue to focus on cultivating an organization that inspires fiscal responsibility and incorporates operational efficiencies. In addition, close scrutiny to expenditures and discovering new and innovative additional revenue streams will be essential in attaining fiscal health.

The lack of state and federal funding for education for the 2021/2022 school year is a situation that continues.

The comparison of revenue and expenditures categories is as follows:

Table A-7

	Budgeted Revenues 2022/2023	Actual Revenues 2021/2022
Local	59.9%	59.7%
State	31.1%	31.3%
Federal/Other	9.0%	9.0%
	Budgeted Expenditures 2022/2023	Actual Expenditures 2021/2022
Instruction	62.4%	61.7%
Support Services	27.5%	27.8%
Noninstructional/Other	2.0%	2.0%
Capital Outlay	0.0%	0.0%
Fund Transfers/Debt	8.1%	8.5%

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board of Directors' accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact Sherri L. Ludwig, Director of Business Affairs at Shaler Area School District, 1800 Mt. Royal Boulevard, Glenshaw, PA, 15116, 412-492-1200, Ext. 2807.

SHALER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,243,017	\$ 993,634	\$ 18,236,651
Restricted cash and cash equivalents	2,084,683	-	2,084,683
Taxes receivable, net	9,606,629	-	9,606,629
Intergovernmental receivables	7,500,819	19,347	7,520,166
Other receivables	12,224	6,527	18,751
Inventory	-	28,334	28,334
Net investment in joint venture	1,214,262	-	1,214,262
Capital assets:			
Non-depreciable	2,324,030	-	2,324,030
Depreciable, net of accumulated depreciation	77,002,407	47,875	77,050,282
Total Assets	116,988,071	1,095,717	118,083,788
Deferred Outflows of Resources			
Deferred charge on refunding	26,438	-	26,438
Deferred outflows of resources for pension	20,034,445	-	20,034,445
Deferred outflows of resources for OPEB	3,319,954	-	3,319,954
Deferred outflows of resources for derivative	355,282	-	355,282
Total Deferred Outflows of Resources	23,736,119	-	23,736,119
Liabilities			
Accounts payable	2,274,937	196,702	2,471,639
Accrued salaries and benefits	10,958,077	-	10,958,077
Internal balances	319,735	(319,735)	-
Accrued interest payable	820,319	-	820,319
Unearned revenue	52,060	43,190	95,250
Property escrow	-	-	-
Other current liabilities	28,917	-	28,917
Non-current liabilities:			
Due within one year	2,209,871	-	2,209,871
Due in more than one year	229,797,114	-	229,797,114
Total Liabilities	246,461,030	(79,843)	246,381,187
Deferred Inflows of Resources			
Deferred inflows of resources for pension	19,191,000	-	19,191,000
Deferred inflows of resources for OPEB	2,759,206	-	2,759,206
Total Deferred Inflows of Resources	21,950,206	-	21,950,206
Net Position			
Net investment in capital assets	(24,037,832)	47,875	(23,989,957)
Restricted	993,878	-	993,878
Unrestricted	(104,643,092)	1,127,685	(103,515,407)
Total Net Position	\$ (127,687,046)	\$ 1,175,560	\$ (126,511,486)

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 54,896,617	\$ 57,517	\$ 13,686,658	\$ -	\$ (41,152,442)	\$ -	\$ (41,152,442)
Instructional student support	6,551,303	-	975,309	-	(5,575,994)	-	(5,575,994)
Administrative and financial support services	6,258,139	-	812,231	-	(5,445,908)	-	(5,445,908)
Operation of plant and maintenance services	7,551,690	-	726,189	-	(6,825,501)	-	(6,825,501)
Pupil transportation	3,758,053	-	2,289,552	-	(1,468,501)	-	(1,468,501)
Student activities	1,985,071	50,717	300,805	-	(1,633,549)	-	(1,633,549)
Community services	89,616	-	81,643	-	(7,973)	-	(7,973)
Unallocated expenses - excluding direct expenses reported as a function above:							
Interest on long-term debt	6,070,745	-	-	350,599	(5,720,146)	-	(5,720,146)
Total governmental activities	87,161,234	108,234	18,872,387	350,599	(67,830,014)	-	(67,830,014)
Business-Type Activities:							
Food service	1,819,438	234,262	2,458,309	-	-	873,133	873,133
Total Primary Government	\$ 88,980,672	\$ 342,496	\$ 21,330,696	\$ 350,599	(67,830,014)	873,133	(66,956,881)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					50,274,437	-	50,274,437
Earned income taxes					6,353,417	-	6,353,417
Other taxes levied for general purposes					862,393	-	862,393
Gain on sale of assets					119,774	-	119,774
Grant subsidies and contributions not restricted					13,891,800	-	13,891,800
Investment income					37,445	846	38,291
Miscellaneous income (expense)					106,065	-	106,065
Total general revenues					71,645,331	846	71,646,177
Change in Net Position					3,815,317	873,979	4,689,296
Net Position:							
Beginning of year					(131,502,363)	301,581	(131,200,782)
End of year					<u>\$ (127,687,046)</u>	<u>\$ 1,175,560</u>	<u>\$ (126,511,486)</u>

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

SHALER AREA SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Capital Projects	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 14,870,685	\$ 3,463,137	\$ 993,878	\$ 19,327,700
Taxes receivable, net	9,606,629	-	-	9,606,629
Due from other governments	7,500,819	-	-	7,500,819
Due from other funds	-	892,329	-	892,329
Other receivables	12,224	-	-	12,224
Total Assets	\$ 31,990,357	\$ 4,355,466	\$ 993,878	\$ 37,339,701
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 2,101,604	\$ 173,333	\$ -	\$ 2,274,937
Accrued salaries and benefits	10,958,077	-	-	10,958,077
Other current liabilities	28,917	-	-	28,917
Unearned revenue	52,060	-	-	52,060
Property escrow	-	-	-	-
Due to other funds	1,212,064	-	-	1,212,064
Total Liabilities	14,352,722	173,333	-	14,526,055
Deferred Inflows of Resources:				
Unavailable revenue - real estate taxes	8,092,815	-	-	8,092,815
Fund Balance:				
Restricted	-	3,827,234	993,878	4,821,112
Committed	-	354,899	-	354,899
Assigned	6,383,669	-	-	6,383,669
Unassigned	3,161,151	-	-	3,161,151
Total Fund Balance	9,544,820	4,182,133	993,878	14,720,831
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 31,990,357	\$ 4,355,466	\$ 993,878	\$ 37,339,701

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

SHALER AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2022

Total Fund Balance - Governmental Funds		\$ 14,720,831
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		79,326,437
Property taxes receivable are not considered available soon enough to pay for the current year's expenditures, and are reported as unavailable in the funds.		8,092,815
The net investment in joint venture is not an available resource and, therefore, is not reported in the funds.		1,214,262
The other post-employment benefit (OPEB) liability, net pension liability, and deferred inflows and outflows of resources for pension and OPEB for the School District's employees are not recorded on the fund financial statements.		(120,798,687)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Also, governmental funds report the effect of deferred charge on refunding when debt is first issued, whereas this amount is a deferred outflow and amortized in the statement of activities. Long-term liabilities at year-end consist of:		
	Bonds payable	\$ (92,124,175)
	Notes payable	(11,509,262)
	Deferred refunding loss	26,438
	Accrued interest payable	(820,319)
	Financed purchases	(63,820)
	Unamortized discount/premium	(4,735,646)
	Compensated absences	<u>(1,015,920)</u>
		<u>(110,242,704)</u>
Total Net Position - Governmental Activities		<u><u>\$ (127,687,046)</u></u>

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects	Other Governmental Funds	Total
Revenues:				
Local sources	\$ 58,211,310	\$ 5,221	\$ 10,491	\$ 58,227,022
State sources	27,857,225	-	-	27,857,225
Federal sources	4,030,731	-	-	4,030,731
Total revenues	90,099,266	5,221	10,491	90,114,978
Expenditures:				
Current:				
Instruction	57,952,856	-	-	57,952,856
Support services	24,592,810	-	175,418	24,768,228
Operation of non-instructional services	2,002,556	-	-	2,002,556
Capital outlay	825,900	1,143,676	-	1,969,576
Debt service:				
Principal and interest	189,954	-	7,461,041	7,650,995
Bond issuance cost	271,488	-	-	271,488
Total expenditures	85,835,564	1,143,676	7,636,459	94,615,699
Excess (Deficiency) of Revenues over Expenditures	4,263,702	(1,138,455)	(7,625,968)	(4,500,721)
Other Financing Sources (Uses):				
Refund of prior year's expenditures	143,886	-	-	143,886
Refund of prior year's revenues	(40,943)	-	-	(40,943)
Proceeds from bond refunding	19,583,820	-	-	19,583,820
Payment to bond refunding escrow agent	(19,312,332)	-	-	(19,312,332)
Gain on sale of assets	119,774	-	-	119,774
Transfers in	-	-	7,636,459	7,636,459
Transfers out	(7,636,459)	-	-	(7,636,459)
Total other financing sources (uses)	(7,142,254)	-	7,636,459	494,205
Net Change in Fund Balance	(2,878,552)	(1,138,455)	10,491	(4,006,516)
Fund Balance:				
Beginning of year	12,423,372	5,320,588	983,387	18,727,347
End of year	\$ 9,544,820	\$ 4,182,133	\$ 993,878	\$ 14,720,831

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

SHALER AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balance - Governmental Funds

\$ (4,006,516)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Capital asset additions	\$ 3,225,101	
Less: depreciation expense	<u>(2,941,420)</u>	283,681

Some taxes and state grants will not be collected for several months until after the School District's year-end; they are not considered "available" revenues in the governmental funds. The unavailable revenue changed by this amount during the year.

638,856

The change in net investment in joint venture is not reported as revenue (expense) in the governmental funds.

(146,644)

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

1,692,580

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between interest accrued in the statement of activities over the amount due is shown here.

33,134

In the statement of activities, certain operating expenses (compensated absences, other postemployment benefits, and pension benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

5,320,226

Change in Net Position of Governmental Activities

\$ 3,815,317

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2022

	Enterprise Fund Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 993,634
Due from other funds	319,735
Due from other governments	19,347
Other receivables	6,527
Inventories	28,334
Total current assets	<u>1,367,577</u>
Non-current assets:	
Furniture and equipment, net	<u>47,875</u>
Total Assets	<u><u>\$ 1,415,452</u></u>
Liabilities and Net Position	
Liabilities - Current:	
Accounts payable	\$ 196,702
Unearned revenue	43,190
Total Liabilities	<u>239,892</u>
Net Position:	
Net investment in capital assets	47,875
Unrestricted	<u>1,127,685</u>
Total Net Position	<u>1,175,560</u>
Total Liabilities and Net Position	<u><u>\$ 1,415,452</u></u>

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	Enterprise Fund Food Service
Operating Revenues:	
Food service revenue	\$ 234,262
Operating Expenses:	
Other purchased services	1,704,080
Supplies	110,250
Depreciation	5,108
Total operating expenses	1,819,438
Net Operating Loss	(1,585,176)
Non-Operating Revenues:	
Earnings on investments	846
State sources	62,804
Federal sources	2,395,505
Total non-operating revenues	2,459,155
Change in Net Position	873,979
Net Position:	
Beginning of year	301,581
End of year	\$ 1,175,560

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	Enterprise Fund Food Service
Cash Flows From Operating Activities:	
Receipts from users	\$ 228,435
Payments to suppliers	(1,577,492)
Net cash provided by (used in) operating activities	(1,349,057)
Cash Flows From Noncapital Financing Activities:	
Local sources	-
State sources	64,745
Federal sources	2,069,070
Net cash provided by (used in) noncapital financing activities	2,133,815
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(13,690)
Cash Flows From Investing Activities:	
Interest income	846
Net Increase (Decrease) in Cash and Cash Equivalents	771,914
Cash and Cash Equivalents:	
Beginning of year	221,720
End of year	\$ 993,634
	(Continued)

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022
(Continued)

Reconciliation of Net Operating Loss to Net Cash

Provided by (Used in) Operating Activities:

Net operating loss	\$ (1,585,176)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Donated commodities expense	110,810
Depreciation	5,108
Change in assets and liabilities:	
Due from other funds	5,807
Inventories	6,793
Accounts payable	119,235
Unearned revenues	<u>(11,634)</u>
Net cash provided by (used in) operating activities	<u>\$ (1,349,057)</u>

(Concluded)

Non-Cash Financing Transaction:

The Food Service Fund received donated commodities from the U.S. Department of Agriculture in the amount of \$102,765 during the year.

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION FIDUCIARY FUNDS

JUNE 30, 2022

	Private Purpose Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ 270,385	\$ 404,353
Liabilities		
Accounts payable	51,730	-
Net Position		
Restricted for scholarships	218,655	-
Restricted for student activities	-	404,353
Total Net Position	\$ 218,655	\$ 404,353

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

SHALER AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2022

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Gifts and contributions	\$ 41,576	\$ -
Student funds	-	358,443
Total additions	41,576	358,443
Deductions:		
Scholarships awarded	64,578	-
Student programs	-	327,480
Total deductions	64,578	327,480
Change in Net Position	(23,002)	30,963
Net Position:		
Beginning of year	241,657	373,390
End of year	\$ 218,655	\$ 404,353

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

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

Shaler Area School District (School District), located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Etna and Millvale and the Townships of Reserve and Shaler.

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The School District is a public school system operating under the authority of the Pennsylvania School Code of 1949 and is governed by an elected nine-member Board of Directors (Board). The criteria set forth by the Governmental Accounting Standards Board (GASB) are followed by the School District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any entity (component unit) into a primary governmental unit's financial statements include but are not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden, and appointment of a voting majority of the governing Board. The School District presently has no component units that meet the above criteria.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program-related revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pensions, other post-employment benefits, compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under financed purchases are reported as other financing sources.

State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Deferred inflows of resources reported on the governmental funds balance sheet arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.

Unearned revenues arise when resources are received by the School District before it has legal claim to them, such as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. During subsequent periods, when the School District has a legal claim to the resources, the unearned revenue is removed as a liability and the revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's Food Service Fund are charges to customers for the sale of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Governmental Funds:

The School District reports the following major governmental funds:

The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of the government's major capital facilities or equipment, other than those financed by proprietary funds.

Additionally, the School District reports the following other governmental funds:

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

Proprietary Funds:

The School District reports the following nonmajor proprietary fund:

The *Food Service Fund* is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations and is presented as a major fund. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges and government subsidies.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose or agency).

The *Private Purpose Trust Fund* is used to account for resources contributed to the School District for scholarships. The various scholarship funds are considered private purpose trust funds.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The School District's *Custodial Fund* is used to account for assets held by the School District in a trustee capacity for student activities.

Budgets and Budgetary Accounting

The Board approves, prior to the beginning of each fiscal year, an annual budget on the modified accrual basis for the General Fund, as required by state law.

The School District follows these procedures for establishment of its annual budget:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
3. A meeting of the Board is then called for the purpose of adopting the proposed budget. This meeting may only be held after 10 days of public notification.
4. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
5. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.

The Public School Code allows the Board to authorize budget transfer amendments between functions and objects during the year. The budget data reflected in the required supplementary information includes the effect of such approved budget transfer amendments and, for comparative purposes, the actual results have also been presented. The level of budgetary control is at the object level within each function and fund. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies.

Annual appropriations lapse at year-end. No supplemental appropriations were required during the current fiscal year.

Budgetary control for other governmental funds is maintained through enforcement of the related grant provisions or through provisions of various debt agreements.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Deposits and Investments

For the purposes of the statement of cash flows, the School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and pooled funds investments subject to daily withdrawal.

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. The School District categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are levied as of July 1 on property values assessed as of the same date. The billings are considered past due on November 1, and penalties and interest are assessed.

Inventory and Prepaid Items

Textbooks and library books are recorded as instructional expenditures of the General Fund when purchased and recorded as capital assets in the government-wide financial statements.

Inventories of the Food Service Fund, consisting of food and paper supplies, are carried at cost using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation.

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

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Building improvements	20
Vehicles	5 - 10
Office equipment	3 - 20
Computer equipment	5 - 10
Food service equipment	6 - 12
Text and library books	5 - 10

Compensated Absences

The School District accrues for certain accumulated employee benefits, such as unpaid vacation, sick pay, and retirement lump sum payments. The amount of the accrual is based on the vacation, sick, and retirement lump-sum payments, which are expected to be paid to employees upon their termination or retirement from the School District. The entire accumulated employee benefits liability is reported on the government-wide financial statements.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

For governmental funds, the current portion of unpaid accumulated employee benefits is the amount of early retirement and severance pay expected to be paid using expendable available resources within the next fiscal year.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the related bonds. Bonds are reported net of the applicable bond premium or discount.

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

Postemployment Benefits

In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance, are calculated based on actuarial valuations as described in Notes 8, 9, and 10.

Refunding Transactions

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or the refunded bonds.

Deferred Inflows and Outflows of Resources Related to Pensions and Other Post-Employment Benefits (OPEB)

In conjunction with pension and OPEB accounting requirements, differences between expected and actual experience, changes in assumptions, the effect of the change in the School District's proportion, the net difference between expected and actual investment earnings, and payments made to the plans subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions or OPEBs on the

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

government-wide financial statements. These amounts are determined based on actuarial valuation performed for each plan.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures and long-term interfund advances.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. Fund balance is restricted at June 30, 2022 for future capital projects and debt service expenditures of the School District through bond indentures.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. Fund balance was committed at June 30, 2022 within the Capital Reserve Fund for future capital needs of the School District.
- Assigned – This category represents intentions of the Board to use the funds for specific purposes. Such assignment is made by the Director of Finance and Operations, but approval is obtained from the Board for all such assignments. Fund balance is assigned for the fiscal year 2023 budget.
- Unassigned – This category represents all other funds not otherwise defined.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. As of June 30, 2022, net position was restricted for debt service expenses of the School District through bond indentures.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Estimates

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

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the financial statements:

GASB Statement No. 87, "*Leases*," requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement had no significant impact on the financial statements.

The following GASB Statements were also adopted for the year ended June 30, 2022: Statement Nos. 92 (Omnibus 2020), 97 (Deferred Compensation Plans), and 99 (Omnibus 2022 – paragraphs 26 through 32). These statements had no impact on the School District's financial statements for the year ended June 30, 2022.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 91 (Conduit Debt Obligations), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections), and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

2. Cash and Cash Equivalents

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

In March 2016, Act 10 was passed which expanded the scope of investment options available to school districts including repurchase agreements, commercial paper, negotiable certificates of deposit, and banker's acceptances. The School District elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

The deposit and investment policy of the School District adheres to state statutes and prudent business practices. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents held by a Trustee of the School District. There were no deposits or investments made during the year which violated either the state statutes or the policy of the School District.

The following is a description of the School District's deposit and investment risks:

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the School District's investments are held in U.S. Government Obligations and are therefore not exposed to this type of risk. These include investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) (described below), which have received AAA ratings from Standard & Poor's.

Investments

PSDLAF and PLGIT were established as a common law trust organized under laws of the Commonwealth of Pennsylvania (Commonwealth). Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The School District's deposits in these pooled funds are not subject to direct custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet and the statement of net position. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares, and the funds measure their assets (for financial reporting purposes) at amortized cost and maintain a stable net asset value of \$1 per share. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth. The School District can withdraw funds from the external investment pools without restriction except for certain limitations placed on the following withdrawals: for PLGIT-Class accounts, there is a one-day holding period; for PLGIT/PLUS-

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Class accounts, there is a 30-day holding period for each deposit and a penalty for early withdrawals; for PLGIT/I-Class there is a limit of two redemptions or exchanges per month; For PLGIT-CD there is a 60-day holding period and withdrawals are only at maturity. The PSDLAF funds have weekly liquidity and are fully collateralized by a Federal Home Loan Bank letter of credit.

The School District's pooled investment funds consist mainly of the above-noted PSDLAF and PLGIT accounts. The School District's investments at June 30, 2022 consisted of:

	<u>Fair Value</u>	<u>Book Value</u>
Pooled investment funds:		
PSDLAF	\$ 17,476,008	\$ 16,349,741
PLGIT	3,489,652	3,489,652
Bank of New York Mellon Pooled Funds	993,878	993,878
Other	137,801	137,801
	<u>\$ 22,097,339</u>	<u>\$ 20,971,072</u>

As of June 30, 2022, all investments had a maturity of less than one year.

As further described in Note 11, the School District also has derivative instruments that are accounted for as investments. Investment risks related to these investments are described in that note.

3. Real Estate Taxes

Real estate taxes are levied each July 1 on the assessed value listed as of the prior January 1 for all real estate located in the School District. These taxes are billed and collected by each municipality served by the School District. Taxes paid through August 31st are given a 2% discount. Amounts paid after October 31st are assessed a 10% penalty. An outside service collects delinquent real estate taxes and handles the property liens. The lien filing date for the levy is July 1 of the following year.

The tax rate assessed for the year ended June 30, 2022 was 23.5319 mills. General Fund property taxes receivables have been reported net of an allowance for doubtful accounts of approximately \$2.8 million at June 30, 2022.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

There is an appeal process through which a taxpayer may contest the assessed value of their property. This process could result in the reduction of future assessed values and consequently a loss of tax revenues. There are outstanding appeals at June 30, 2022, the results of which have yet to be determined. The revenue recorded in the financial statements reflects the estimated amount of net real estate tax revenue for the year.

4. Capital Assets

A summary of changes in capital assets during fiscal year 2022 for governmental activities is as follows:

	Balance at July 1, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,553,540	\$ -	\$ -	\$ 1,553,540
Construction in progress	4,308,612	1,128,199	(4,666,321)	770,490
Total capital assets, not being depreciated	5,862,152	1,128,199	(4,666,321)	2,324,030
Capital assets, being depreciated:				
Site improvements	12,110,436	-	(1,161,142)	10,949,294
Building and improvements	130,484,476	4,837,222	(2,203,609)	133,118,089
Furniture and equipment	6,493,189	1,288,735	(152,212)	7,629,712
Total capital assets, being depreciated	149,088,101	6,125,957	(3,516,963)	151,697,095
Less: accumulated depreciation for:				
Site improvements	(9,200,514)	(207,881)	1,130,328	(8,278,067)
Building and improvements	(61,034,388)	(2,265,653)	2,875,335	(60,424,706)
Furniture and equipment	(5,672,595)	(467,886)	148,566	(5,991,915)
Total accumulated depreciation	(75,907,497)	(2,941,420)	4,154,229	(74,694,688)
Capital assets being depreciated, net	73,180,604	3,184,537	637,266	77,002,407
Governmental activities capital assets, net	\$ 79,042,756	\$ 4,312,736	\$ (4,029,055)	\$ 79,326,437

Capital assets and related accumulated depreciation acquired under financed purchases are \$378,756 and \$314,936 at June 30, 2022, respectively.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

A summary of changes in capital assets during fiscal year 2022 for business-type activities is as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 341,958	\$ 13,690	\$ (11,409)	\$ 344,239
Less: accumulated depreciation for:				
Machinery and equipment	(302,665)	(5,108)	11,409	(296,364)
Business-type activities capital assets, net	<u>\$ 39,293</u>	<u>\$ 8,582</u>	<u>\$ -</u>	<u>\$ 47,875</u>

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

Governmental Activities:

Instructional services:

 Regular instruction \$ 2,396,008

Support services:

 Pupil personnel 97,823

 Administration 86,161

 Operation of plant and maintenance services 127,679

Non-instructional services:

 Student activities 233,749

\$ 2,941,420

Business-type Activities:

Food service \$ 5,108

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

5. Long-Term Obligations

Changes in Long-Term Obligations

Changes in the School District's long-term liabilities for the year ended June 30, 2022 were as follows:

	Balance at July 1, 2021	Additions	Accretion	Deletions	Balance at June 30, 2022	Amounts Due Within One Year
Bonds Payable:						
Series of 1997 A	\$ 6,780,817	\$ -	\$ 197,383	\$ (3,745,000)	\$ 3,233,200	\$ 932,355
Series of 2006	23,472,031	-	2,463,944	-	25,935,975	-
Series of 2015	460,000	-	-	(5,000)	455,000	5,000
Series of 2016B	20,675,000	-	-	(100,000)	20,575,000	100,000
Series of 2016C	14,020,000	-	-	(14,000,000)	20,000	5,000
Series of 2016D	2,700,000	-	-	(2,680,000)	20,000	5,000
Series of 2019	12,740,000	-	-	(5,000)	12,735,000	5,000
Series of 2020	9,845,000	-	-	(85,000)	9,760,000	85,000
Series of 2021A	-	16,455,000	-	(165,000)	16,290,000	165,000
Series of 2021B	-	3,130,000	-	(30,000)	3,100,000	25,000
	<u>90,692,848</u>	<u>19,585,000</u>	<u>2,661,327</u>	<u>(20,815,000)</u>	<u>92,124,175</u>	<u>1,327,355</u>
Unamortized discount	(28,360)	-	-	28,360	-	-
Unamortized premium	7,355,753	-	-	(2,620,107)	4,735,646	-
Net bonds payable	<u>98,020,241</u>	<u>19,585,000</u>	<u>2,661,327</u>	<u>(23,406,747)</u>	<u>96,859,821</u>	<u>1,327,355</u>
GO Notes:						
Beattie Loan 2016	1,360,906	-	-	(146,644)	1,214,262	154,181
Series of 2013 - Direct Borrowing	8,630,000	-	-	(105,000)	8,525,000	110,000
Series of 2016A	2,265,000	-	-	(495,000)	1,770,000	510,000
Total GO Notes	<u>12,255,906</u>	<u>-</u>	<u>-</u>	<u>(746,644)</u>	<u>11,509,262</u>	<u>774,181</u>
Financed Purchases	221,288	-	-	(157,468)	63,820	63,820
Derivative Investments	949,331	-	-	(594,049)	355,282	-
Employee Benefits:						
Net PSERS pension liability	130,336,000	-	-	(22,316,000)	108,020,000	-
Net PSERS OPEB liability	5,715,000	502,000	-	-	6,217,000	-
Total local OPEB liability	7,544,092	421,788	-	-	7,965,880	-
Compensated absences	960,397	55,523	-	-	1,015,920	58,733
Net Employee Benefits	<u>144,555,489</u>	<u>979,311</u>	<u>-</u>	<u>(22,316,000)</u>	<u>123,218,800</u>	<u>58,733</u>
Total Long Term Obligations	<u>\$ 256,002,255</u>	<u>\$ 20,564,311</u>	<u>\$ 2,661,327</u>	<u>\$ (47,220,908)</u>	<u>\$ 232,006,985</u>	<u>\$ 2,224,089</u>

Additions to the General Obligation Bond Series of 1997 A and Series 2006 are the increase in accreted value for fiscal year 2022.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

General obligation bonds and notes are described below; other long-term obligations noted above are detailed further in Notes 6, 8, 9, 10, and 11.

The Series A of 1997 General Obligation Bonds (1997 Bonds) were issued at a par value of \$27,560,000 for the purpose of financing various capital projects of the School District. The 1997 Bonds were composed of capital appreciation bonds. The yields on the 1997 Bonds range from 4.00% to 5.65% and are due through November 15, 2022.

The School District issued Series 2006 General Obligation Bonds (2006 Bonds) in the amount of \$36,415,169, to finance various capital projects of the School District. The 2006 Bonds were composed of Current Interest Bonds and Capital Appreciation Bonds. The Current Interest Bonds have been paid off. The Capital Appreciation Bonds yields range from 5.04% to 5.19% and are due through September 1, 2034.

The School District issued Series 2013 General Obligation Variable Rate Notes (2013 Notes) in the amount of \$9,700,000 as discussed in the swap agreement discussed in Note 11. Interest on the variable rate notes is paid at the lesser of the maximum rate or the percentage of the "11-Bond Municipal Bond Index" most recently published by the bond buyer and is reset weekly. However, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate of 3.7569%, as described in Note 11. The 2013 Notes are due through September 1, 2025.

The School District issued Series 2015 General Obligation Bonds (2015 Bonds) in the amount of \$10,000,000 to be used for various capital improvements to the School District. The 2015 Bonds bear interest at rates ranging from 0.6% to 3.25% and are due through September 1, 2032.

As described in Note 6, the School District issued the Series of 2016 General Obligation Note (2016 Note) in the amount of \$2,023,543 to refund the prior bond issue related to funding capital improvements to the A.W. Beattie Career Center. The 2016 Note bears interest at rates ranging from 0.5% to 5.0% and is due in full on October 15, 2028.

In June 2016, the School District issued the Refunding Series 2016 General Obligation Notes (2016A Notes) in the amount of \$4,135,000, and also issued the Refunding Series B (2016B Bonds), C (2016C Bonds), and D (2016D Bonds) of 2016 General Obligation Bonds in the amounts of \$21,090,000, \$14,004,000, and \$2,720,000, respectively. The 2016A Notes were issued to advance refund a portion of the Series A of 1997 of General Obligation Bonds. The 2016B Bonds were issued to currently refund a portion of the Series of 2006 General Obligation Bonds. The 2016C Bonds were issued to finance costs of the Rogers

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Elementary School renovation project. The 2016D Bonds were pay costs of the Titan Stadium Project. The 2016A Note bears interest at rates of 2.0% to 3.0%. The 2016B Bonds bear interest at rates ranging from 2.0% to 5.0%. The 2016C Bonds bear an interest at 2.0%. The 2016D Bonds bear an interest at 2.0%. These issuances are due through September 1, 2025, 2028, 2026, and 2026, respectively.

The School District issued Series 2019 General Obligation Bonds (2019 Bonds) in the amount of \$12,750,000 to be used for various capital improvements and for improvements to various School District facilities and to implement a guaranteed energy savings program pursuant to Act 57 of 1998. The 2019 Bonds bear interest at rates ranging from 3.0% to 5.0% and are due through September 1, 2038.

In July 2020, the School District issued the Series 2020 General Obligation Bonds (2020 Bonds) in the amount of \$9,845,000. The 2020 Bonds were issued to currently refund a portion of the Series of 2015 General Obligation Bonds. The 2020 Bonds bear interest at a rate of 2.0% and are due through September 1, 2032.

In December 2021, the School District issued the Refunding Series A (2021A Bonds) and B (2021B Bonds) in the amounts of \$16,455,000 and \$3,130,000, respectively. The 2021A Bonds were issued to currently refund a portion of the Series of 2016C General Obligation Bonds. The 2021B Bonds were issued to currently refund a portion of the Series of 2016D General Obligation Bonds. The 2021A Bonds bear interest at rates ranging from 0.70% to 2.97%. The 2021B Bonds bear interest at rates ranging from 1.75% to 2.97%. These issuances are due through September 1, 2031 and 2036, respectively. The refunding resulted in an economic gain of approximately \$1.4 million and cash flow savings of approximately \$1.8 million.

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Annual debt service requirements to maturity are as follows. The General Fund pays the below debt service through a transfer to the Debt Service Fund. Interest rates on the variable rate 2013 Notes were based on rates in effect at June 30, 2022:

Fiscal Year Ending June 30,	General Obligation Bonds		General Obligation Notes		General Obligation Notes - Direct Borrowing		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 1,327,355	\$ 5,205,837	\$ 664,181	\$ 81,155	\$ 110,000	\$ 13,963	\$ 7,402,491
2024	815,000	2,377,882	351,719	62,757	3,945,000	13,780	7,566,138
2025	830,000	2,352,487	354,942	48,841	4,115,000	7,238	7,708,508
2026	6,165,000	2,202,017	216,795	39,449	355,000	415	8,978,676
2027	6,955,000	1,911,280	195,221	35,055	-	-	9,096,556
2028-2032	23,292,667	21,783,295	426,404	128,363	-	-	45,630,729
2033-2037	23,460,658	18,871,283	775,000	21,375	-	-	43,128,316
2038-2039	12,255,000	566,125	-	-	-	-	12,821,125
Totals	75,100,680	55,270,206	2,984,262	416,995	8,525,000	35,396	142,332,539
Accretion to date	17,023,495	(17,023,495)	-	-	-	-	-
	<u>\$ 92,124,175</u>	<u>\$ 38,246,711</u>	<u>\$ 2,984,262</u>	<u>\$ 416,995</u>	<u>\$ 8,525,000</u>	<u>\$ 35,396</u>	<u>\$ 142,332,539</u>

6. Joint Venture

The School District is a participant with eight other member school districts in a joint venture for the operation of the A.W. Beattie Career Center (Center). The Center was created for the operation of certain vocational and alternative educational programs for the benefit of the member school districts. On dissolution of the Center, its net position will be distributed to the member school districts based upon the total payments made by each member school district since July 1, 1990, divided by the total payments of all member school districts since that time. The Center is governed by an eighteen-member Joint Committee composed of two appointees from each member school district. No member of the Jointure exercises specific control over the fiscal policies or operations of the Center.

The School District is obligated to remit its proportionate share of the Center's operating budget based on its percentage of proportional enrollment for the operational, alternative high school, and substitute service budgets and proportional assessed value for the administrative budget. The School District's combined proportionate share of funding for the year ended June 30, 2022 was approximately \$1,494,000 for ongoing operations.

The School District is also responsible for its proportionate share of general obligation bonds that paid for renovations of the Center in 2008 that were refinanced in 2016. The repayment of the principal and interest on these bonds was funded proportionately by the

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member school districts, with the scheduled payments to be made to the Center based upon general obligation notes issued by each member school district establishing yearly amounts to be paid to the Center. At June 30, 2022, the School District's liability for this note was \$1,214,262, and approximately \$147,000 was paid for debt service during the year, as further described in Note 5. The School District's share of the capital improvements to the Center is reported as net investment in joint venture on the government-wide financial statements of the School District.

Other than for the capital project described above, the School District's proportionate share of capital assets of the Center has not been determined, and excess operating results are retained by the Center for future periods. The School District has no equity interest in the Center as of June 30, 2022, and it is considered a non-equity joint venture of the School District. Accordingly, the School District's net investment and share of operating results are not included in the School District's financial statements other than for the offsetting asset for the debt described above.

The most recent available Center unassigned governmental fund type fund balance at June 30, 2021 is \$3,313,666. Complete financial statements for the Center can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA, 15101.

7. Health Consortium

The School District is one of seventy members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool which affords health care coverage for members' employees on a pooled basis. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. The Consortium establishes rates with the objective of satisfying current costs and claims of covered health care services, as well as maintaining working capital requirements and a Premium Stabilization Fund for periods when actual costs of coverage exceed premiums collected from members. At the end of each fiscal year, actual claims experience is compared with premiums paid. The difference results in either a retroactive refund or charge. Included in the retroactive refund/charge is a calculation for the reserve needed to cover expenses incurred but not yet reported by health providers. Any retroactive charge may be paid from the Premium Stabilization Fund, up to ten percent of total premiums paid. The remainder may be charged to the schools. At June 30, 2022, the Consortium's net position available for benefits approximated \$51.4 million. The School District's share of this amount is approximately \$1.4 million. The Consortium also maintains a portion of the Premium Stabilization Fund to cover potential future catastrophic losses.

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Independent insurance coverage for catastrophic losses is not maintained by the Consortium or the School District.

The School District paid premiums during the year of approximately \$8.9 million. The Consortium's agreement permits participants to withdraw from the Consortium under specified terms. In such an event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium fund balance or deficit as determined on the date of withdrawal.

8. Public School Employees' Retirement System (PSERS)

Plan Description

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program OPEB plan (Premium Assistance), to public school employees of the Commonwealth of Pennsylvania (Commonwealth). PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits 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.

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

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

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the

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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. Detailed information about PSERS' fiduciary net position related to pension and OPEBs is available in the PSERS Annual Comprehensive Financial Report, which can be found on the PSERS website at www.psers.pa.gov.

The net pension liability and the net OPEB liability are recorded as governmental activities expected to be paid from the General Fund.

Benefits Provided – Pension Plan

Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011 through June 30, 2019. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially

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equivalent to the benefit that would have been effective if the member had retired on the day before death.

Act 5 of 2017 (Act 5) eliminated the stand-alone defined benefit plan, introduced a hybrid benefit, and introduced 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 three years of credited service. Class T-G members 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 Provided – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Member Contributions

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

- Active members who joined PSERS prior to July 22, 1983:
 - Membership Class T-C 5.25%
 - Membership Class T-D 6.50%
- Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:
 - Membership Class T-C 6.25%
 - Membership Class T-D 7.50%
- Members who joined PSERS after June 30, 2001, and before July 1, 2011:
 - Membership Class T-D 7.50%
- Members who joined PSERS after June 30, 2011 and before June 30, 2019:
 - Membership Class T-E* 8.00%

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- Membership Class T-F* 10.80%
- Members who joined PSERS on or after July 1, 2019:
 - Membership Class T-G (hybrid)** 9.00% (combined rate)
 - Membership Class T-H (hybrid)** 8.25% (combined rate)
 - Defined Contribution only 7.50%

* Includes shared risk provision of +0.50% as of July 1, 2021.

** Includes shared risk provision of +0.75% as of July 1, 2021.

Employer Contributions

The School District's contractually required PSERS contribution rate for fiscal year ended June 30, 2022 was 34.94% 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. This rate is composed of a 33.99% rate for the Pension Plan, a 0.80% rate for the Premium Assistance, and a 0.15% rate for Act 5 Defined Contribution.

The combined rate for the fiscal year ended June 30, 2022 was an increase from the fiscal year ended June 30, 2021 combined rate of 34.51%. The combined contribution rate will increase to 35.26% in fiscal year 2023 and is projected to grow to 37.30% by fiscal year 2030.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$5.2 owed to PSERS as of June 30, 2022, which represents the School District's required contribution for the end of year payroll. The School District's contributions which were recognized by PSERS for the year ended June 30, 2022 were as follows:

Pension Plan	\$ 13,578,445
Act 5 Defined Contribution	59,923
Premium Assistance	<u>319,587</u>
Total	<u>\$ 13,957,955</u>

In accordance with Act 29, the Commonwealth reimburses school districts for approximately one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth approximating \$7.0 million during the current

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year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

Proportionate Share

The School District's proportion of PSERS' net pension liability was calculated utilizing the School District's one-year reported contributions as it relates to PSERS' total one-year reported contributions. This method was changed beginning with PSERS' fiscal year ended June 30, 2020. In prior years, the proportion of PSERS' net pension liability was calculated utilizing the School District's one-year reported covered payroll as it related to PSERS' total one-year reported covered payroll. At June 30, 2021 (measurement date), the School District's proportion was 0.2631%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2020.

The School District's proportion of PSERS' net OPEB liability continues to be calculated utilizing the School District's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2021 (measurement date), the School District's proportion was 0.2623%, which was a decrease of 0.0022% from its proportion measured as of June 30, 2020.

9. Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2022, the School District reported a liability of \$108,020,000 for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of \$8,012,814.

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At June 30, 2022, the School 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
Differences between expected and actual experience	\$ 80,000	\$ 1,419,000
Changes in assumptions	5,239,000	-
Net difference between projected and actual earnings on pension plan investments	-	17,194,000
Changes in proportion	1,137,000	578,000
School District contributions subsequent to the measurement date	13,578,445	-
Total	<u>\$ 20,034,445</u>	<u>\$ 19,191,000</u>

\$13,578,445 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ (2,762,000)
2024	(2,134,000)
2025	(2,283,000)
2026	<u>(5,556,000)</u>
Total	<u>\$ (12,735,000)</u>

Actuarial Assumptions

The actuarial valuation used for the June 30, 2021 measurement date contained the following methods and assumptions:

- Actuarial valuation date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%

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- Salary growth – Effective average of 4.50%, comprised of 2.50% for inflation and 2.00% for real wage growth and merit or seniority increases
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Experience study – July 1, 2015 through June 30, 2020

Changes in Assumptions

The discount rate decreased from 7.25% to 7.00% and the inflation assumption was decreased from 2.75% to 2.50% for the actuarial valuations used for the June 30, 2021 measurement date. Salary growth decreased from 5.00% to 4.50%.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2021 measurement date.

Pension Plan Investments

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

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The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

For PSERS' year ended June 30, 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 24.58%.

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

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

The following presents the School District's proportionate share of PSERS' net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of PSERS' net pension liability would be if it were calculated

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using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of PSERS' net pension liability	<u>\$ 141,781,000</u>	<u>\$ 108,020,000</u>	<u>\$ 79,542,000</u>

10. Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The School District maintains two separate OPEB plans – the Premium Assistance previously described in Note 8 and the School District's retiree plan (retiree plan) described below. At June 30, 2022, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$ 6,217,000
School District's total OPEB liability for its retiree plan	<u>7,965,880</u>
Net OPEB liability	<u>\$ 14,182,880</u>

PSERS' net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate PSERS' net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The School District's retiree plan's total OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the retiree plan's total OPEB liability was determined by rolling forward the retiree plan's total OPEB liability as of July 1, 2020 to July 1, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense as follows:

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OPEB expense related to PSERS	
Premium Assistance	\$ 393,639
OPEB expense related to School	
District's retiree plan	<u>412,403</u>
Total OPEB expense	<u><u>\$ 806,042</u></u>

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 58,000	\$ 602,969	\$ 660,969
Changes in assumptions	662,000	1,264,825	1,926,825
Net difference between projected and actual earnings on OPEB plan investments	12,000	-	12,000
Changes in proportion	104,000	-	104,000
School District contributions subsequent to the measurement date	<u>319,587</u>	<u>296,573</u>	<u>616,160</u>
Total	<u><u>\$ 1,155,587</u></u>	<u><u>\$ 2,164,367</u></u>	<u><u>\$ 3,319,954</u></u>
	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ -	\$ 1,155,514	\$ 1,155,514
Changes in assumptions	83,000	1,472,692	1,555,692
Changes in proportion	<u>48,000</u>	<u>-</u>	<u>48,000</u>
Total	<u><u>\$ 131,000</u></u>	<u><u>\$ 2,628,206</u></u>	<u><u>\$ 2,759,206</u></u>

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\$616,160 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>PSERS Plan</u>	<u>Local Plan</u>	<u>Total</u>
2023	\$ 117,000	\$ (96,341)	\$ 20,659
2024	116,000	(96,341)	19,659
2025	161,000	(96,341)	64,659
2026	139,000	(96,341)	42,659
2027	97,000	(96,341)	659
2028 and beyond	75,000	(278,707)	(203,707)
Total	<u>\$ 705,000</u>	<u>\$ (760,412)</u>	<u>\$ (55,412)</u>

Additional Required Disclosures for PSERS Premium Assistance

Actuarial Assumptions

The actuarial valuation used for the June 30, 2021 measurement date contained the following methods and assumptions:

- Actuarial valuation date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 2.18% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 4.50%, comprised of 2.50% for inflation and 2.00% for real wage growth and 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
- Experience study – July 1, 2015 through June 30, 2020
- Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%.

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Changes in Assumptions

The discount rate decreased from 2.66% to 2.18% for the actuarial valuation used for the June 30, 2021 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2021 measurement date.

OPEB Plan Investments

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

For PSERS' year ended June 30, 2021, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 0.31%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18%. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the

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Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the 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 the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate used to measure the Total OPEB liability decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
School District's proportionate share of PSERS' net OPEB liability	\$ 7,135,000	\$ 6,217,000	\$ 5,461,000

Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare cost trend rates were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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 the healthcare cost trends as depicted below.

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 6,216,000</u>	<u>\$ 6,217,000</u>	<u>\$ 6,217,000</u>

Additional Required Disclosures for the School District's Retiree Plan

Plan Description

The School District administers a single-employer defined benefit healthcare plan to provide additional postemployment benefits to eligible retirees (the Supplemental Health Plan). The School District has not accumulated assets for the retiree plan in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75; benefits are paid on a pay-as-you-go basis.

The plan provides medical, and in some cases, dental and vision, for three groups of employees: teachers; administrators; and support staff. Support staff can be further divided into clerical, maintenance and secretarial categories. Provided they meet the eligibility criteria, full-time employees of all three groups are eligible for post-retirement medical, dental and vision coverage. All part-time employees are not eligible for post-retirement medical, dental, or vision coverage. Also, bus drivers and food service workers are contracted out and, therefore, are not eligible. The plan does not issue a publicly available financial report.

Funding Policy

The eligibility and the benefits for each group is as follows:

Medical Benefits

Medical benefits are provided through the ACSHIC and are administered by Highmark. There are two plans: A Preferred Provider Organization (PPO) and an Exclusive Provider Organization (EPO). The PPO program is referred to as Community Blue Flex PPO and the EPO is referred to as Community Blue Flex EPO. There is no retirement incentive currently in place. However, the District has established a pattern of periodically offering incentives. A summary of past incentives is as follows.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Employees who Terminated School Service by June 30, 2015 and Retired under PSERS by December 1, 2015

- Retirees with individual coverage must contribute the same amount as current employees plus the \$100 PSERS allowance. See the table below for the contribution amounts for the various retiree classifications.
- Retirees with all other coverage tiers - the School District shall provide \$900 per month for post-retirement medical coverage in the PPO or EPO plans. The retiree is responsible for paying the difference between the applicable premium and the \$900.
- For employees who retired during this window, post-retirement medical coverage is provided to age 65 or a nine-year period, whichever occurs first.

Below shows the required contributions for active employees during the 2021/2022 fiscal year:

	Single	Other
Administrative	\$ 89	\$ 185
Secretaries/Paraprofessionals	90	135
SAEA Professional (EPO)	89	185
SAEA Professional (PPO)	119	235
Custodial and Maintenance	2.25% of base wage	3.5% of base wage

Therefore, any retiree with individual coverage who retired under this incentive would have to contribute the applicable amount shown above plus the \$100 PSERS allowance.

Any retiree with a tier other than single would have to contribute the difference between the applicable premium rate and the \$900 monthly allowance.

Dental/Vision

Retirees are also eligible for dental and/or vision benefits. However, retirees are required to contribute 100% of the costs. Support retirees are offered COBRA. Provided they make the required contributions, dental and vision benefits are provided for the lifetime of the retiree.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Eligibility

Employees are eligible for postretirement medical, dental, and vision coverage provided they meet the criteria for either early or normal retirement under PSERS. Early retirement is defined as attaining age 55 with at least 25 years of credited service for employees hired prior to July 1, 2011 and under the age of 65 with 10 years of credited service for employees hired on or after July 1, 2011. Normal retirement is defined as attaining 35 years of service, age 60 with 30 years of service, or age 62 with one year of service for employees hired prior to July 1, 2011 and attaining age 65 with three years of service, or any age/service combination that totals 92 with a minimum of 35 years of service for employees hired on or after July 1, 2011.

Life Insurance

Teachers who retired prior to August 15, 2007 are provided with a \$1,000 life insurance payable upon death. Teachers who retire on or after August 15, 2007 are not provided with post-retirement life insurance.

Administrators who retired prior to July 1, 2008 are provided with a \$5,000 life insurance benefit payable upon death. To be eligible for this benefit, administrators must have been employed by the School District for at least 10 years.

Secretaries who were hired prior to July 1, 2008 are provided with \$5,000 of life insurance payable upon death. Secretaries who were hired on or after July 1, 2008 are not eligible for post-retirement life insurance coverage.

Custodians are provided with \$5,000 life insurance payable upon death provided they retire under normal retirement.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

OPEB Liability

At the July 1, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	19
Active employees	<u>485</u>
	<u>504</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial evaluation performed as of July 1, 2020 and rolled forward to the measurement date of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal
- Discount rate – 2.16% – Based on the Bond Buyers 20-year Bond Index
- Salary and inflation increase – 2.50% salary increase, and 3.0% inflation rate
- Assumed healthcare cost trends – 6.75%; Long-term trend rate of 4.50%; Terminal trend year of 2030
- Mortality rates – Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2020

Changes in Assumptions

- Changed the discount rate from 2.21% to 2.16%
- Updated the mortality improvement scale to MP-2020

Changes in Benefit Terms

No changes noted.

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the School District's retiree plan for the year ended June 30, 2022 were as follows:

Total OPEB liability, July 1, 2021	\$	7,544,092
Changes for the year:		
Service cost		342,020
Interest on the total OPEB liability		166,724
Changes in assumptions		204,673
Benefit payments		<u>(291,629)</u>
Total OPEB liability, June 30, 2022	\$	<u>7,965,880</u>

Sensitivity of the School District's Total OPEB Liability to Changes in the Discount Rate

The following presents the School District's total OPEB liability calculated using the discount rate described above, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 1.16%	Current Discount 2.16%	1% Increase 3.16%
School District's total OPEB liability	<u>\$ 8,774,426</u>	<u>\$ 7,965,880</u>	<u>\$ 7,248,852</u>

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

The following presents the School District's total OPEB liability calculated using current healthcare cost trend rates as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's total OPEB liability	<u>\$ 7,270,389</u>	<u>\$ 7,965,880</u>	<u>\$ 8,798,835</u>

11. Derivative Instruments

Fixed/Variable Swap

During fiscal year 2004, the School District entered into a swaption contract. The swaption gave the counterparty the option to make the School District enter into a “pay-fixed, receive-variable” interest rate swap. When the option was exercised by the counterparty, the School District refunded the existing Series A of 2001 Bonds and issued the Series 2004 Variable Rate Bonds, which were later refunded by the Series of 2013 Variable Rate Notes (2013 Notes). The intention of the Fixed/Variable Swap was to effectively change the School District’s variable interest rate on the Series 2004 Bonds to a synthetic fixed rate. The School District receives 68% of 1-month LIBOR plus .25%. The School District then pays a fixed rate of 3.955%. The interest payments are calculated based on a notional amount that approximates the principal outstanding on the 2013 Notes, which was \$8,525,000 at June 30, 2022. The swap expires on September 1, 2025, consistent with the last principal payment on the 2013 Notes.

Fair Value of Derivative Instruments

The mark to market value is calculated using a combination of the present value of the potential net cash flows between the two parties, calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation, and an option pricing model.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The swap is valued using significant unobservable inputs (Level 3 inputs).

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Below are the changes in fair value of the swap during the year:

Instrument	Effective Hedge	June 30, 2021 Fair Value	Current year value change	June 30, 2022 Fair Value
Fixed / Variable Swap	Yes	<u>\$ (949,331)</u>	<u>\$ 594,049</u>	<u>\$ (355,282)</u>

As the swap is considered an effective hedge, the aggregate change in fair market value during the year is offset by a change to deferred outflows on the statement of net position, with no impact to the current year statement of activities.

Risks

Through the use of derivative instruments such as swaps and interest rate swaps, the School District is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, market-access risk, basis risk, and liquidity/remarketing risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. In the event that the counterparty's rating is downgraded to a certain level (and based on the fair value of the swap at the time of the downgrade) the counterparty would be required to post collateral to support its obligations under the swap.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the School District's financial instruments or the School District's cash flows. The swap is highly sensitive to changes in interest rates; changes in the variable rate will have a material effect on the swaps' fair market value.
- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. The School District is subject to basis risk because the interest index on the variable rate arm of the swap is based on a different index than the swap. Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect the School District's calculated payments, and, as a result, cost savings or synthetic interest rates may not be realized.
- Termination risk is the risk that a derivative's unscheduled end will affect the School District's asset/liability strategy or will present the School District with potentially significant unscheduled termination payments to the counterparty. The counterparty to the transaction does not have the ability to voluntarily terminate

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

the swap; however, the School District is exposed to termination risk in the event that the counterparty defaults.

- Liquidity/Remarketing risk is the risk that if the remarketing of the variable rate debt failed, the liquidity provider would step in and own those bonds that had been tendered but failed to be remarketed. At that point, the bonds would be considered “bank bonds” and the School District would have to pay the bank rate on such bonds and pay off the bonds in a much shorter period of time. This bank rate is sometimes much higher than the prime rate. Additionally, there is risk that the liquidity provider is unable to perform this service and the bonds would then need to be repurchased by the School District.

12. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables and transfers at June 30, 2022 are summarized below:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 1,212,064
Capital Projects	892,329	-
Other governmental funds	-	-
Proprietary Fund	319,735	-
Total	<u>\$ 1,212,064</u>	<u>\$ 1,212,064</u>

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$ 7,636,459
Capital Projects	-	-
Other governmental funds	7,636,459	-
Proprietary Fund	-	-
Total	<u>\$ 7,636,459</u>	<u>\$ 7,636,459</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. When repayment is not expected to be made in the next fiscal year, the transactions are accounted for through advances receivable and advances payable. The transfer from the

SHALER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

General Fund to the Debt Service Fund is to fund debt service expenditures occurring during the fiscal year.

13. Contingencies and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omission; and natural disasters for which the School District carries commercial insurance. Management believes the insurance coverage is sufficient to cover the School District against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year.

At June 30, 2022, the School District has construction commitments relating to school renovations for approximately \$1,200,000.

REQUIRED SUPPLEMENTARY INFORMATION

SHALER AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues and Other Financing Sources:				
Revenues:				
Local sources:				
Current real estate taxes	\$ 46,570,941	\$ 46,570,941	\$ 47,357,791	\$ 786,850
Public utility realty taxes	52,000	52,000	53,270	1,270
Local services taxes	24,800	24,800	26,122	1,322
Earned income taxes	5,915,000	5,915,000	6,353,417	438,417
Real estate transfer taxes	600,000	600,000	783,001	183,001
Delinquencies on taxes	1,250,000	1,250,000	2,277,790	1,027,790
Earnings on investments	(200,000)	50,000	21,733	(28,267)
Revenue from student activities	26,500	26,500	50,717	24,217
Federal revenue from IUs	800,000	800,000	1,031,528	231,528
Rentals	40,000	40,000	37,993	(2,007)
Contributions and donations from private sources	-	-	195,302	195,302
Tuition	15,000	15,000	-	(15,000)
Revenue from community activities	44,000	44,000	19,524	(24,476)
Miscellaneous revenue	-	-	3,122	3,122
Total local sources	55,138,241	55,388,241	58,211,310	2,823,069
State sources:				
Basic instructional subsidy	11,943,233	11,943,233	11,852,416	(90,817)
Tuition	-	-	104,581	104,581
Subsidies for special education programs	4,000,000	4,000,000	3,724,507	(275,493)
Transportation	1,460,000	1,460,000	522,087	(937,913)
Rentals and sinking fund payments	150,000	150,000	350,599	200,599
Safe schools	-	-	45,000	45,000
Health services	80,000	80,000	72,332	(7,668)
State property tax reduction	2,039,384	2,039,384	2,039,384	-
Social Security payments	1,581,861	1,581,861	1,460,870	(120,991)
State retirement revenue	7,224,864	7,224,864	6,978,978	(245,886)
Ready to learn grant	706,471	706,471	706,471	-
Total state sources	29,185,813	29,185,813	27,857,225	(1,328,588)
Federal sources:				
Title I	570,000	570,000	522,980	(47,020)
Title II	120,000	120,000	114,210	(5,790)
Title III	-	-	-	-
Title IV	35,000	35,000	3,575	(31,425)
Medical Assistance - Title XIX	-	-	36,683	36,683
Medical Assistance - Access	600,000	600,000	451,181	(148,819)
Elementary and Secondary School Emergency Relief Funds I	-	-	14,840	14,840
Elementary and Secondary School Emergency Relief Funds II	479,686	479,686	840,986	361,300
Elementary and Secondary School Emergency Relief Funds III	490,760	490,760	2,046,098	1,555,338
Elementary and Secondary School Emergency Relief Homeless Children and Youth	-	-	178	178
Coronavirus Aid, Relief, and Economic Security Act	-	-	-	-
Total federal sources	2,295,446	2,295,446	4,030,731	1,735,285
Other financing sources:				
Refund of prior year's expenditures	90,000	90,000	143,886	53,886
Proceeds from bond refunding	-	-	19,583,820	19,583,820
Gain on sale of assets	370,000	120,000	119,774	(226)
Total other financing sources	460,000	210,000	19,847,480	19,637,480
Total revenues and other financing sources	87,079,500	87,079,500	109,946,746	22,867,246

(Continued)

See accompanying notes to required supplementary schedules.

SHALER AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2022
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses:				
Instruction:				
Regular programs:				
Salaries	21,668,436	21,668,436	21,882,572	(214,136)
Employee benefits	14,354,030	14,354,030	13,748,356	605,674
Purchased professional and technical services	21,000	21,000	44,675	(23,675)
Purchased property services	58,523	55,923	31,937	23,986
Other purchased services	1,203,000	1,203,000	1,849,997	(646,997)
Supplies	1,153,336	1,163,136	1,148,458	14,678
Property	373,431	373,431	1,522,088	(1,148,657)
Other	-	-	2,661	(2,661)
Total regular programs	<u>38,831,756</u>	<u>38,838,956</u>	<u>40,230,744</u>	<u>(1,391,788)</u>
Special programs:				
Salaries	6,573,564	6,573,564	6,189,118	384,446
Employee benefits	4,405,818	4,405,818	4,262,763	143,055
Purchased professional and technical services	788,500	817,500	886,977	(69,477)
Other purchased services	2,879,200	2,982,200	2,952,861	29,339
Supplies	130,500	130,500	46,246	84,254
Property	15,000	15,000	4,439	10,561
Other	204,300	161,300	2,431	158,869
Total special programs	<u>14,996,882</u>	<u>15,085,882</u>	<u>14,344,835</u>	<u>741,047</u>
Vocational education:				
Salaries	-	-	76,341	(76,341)
Employee benefits	-	-	33,362	(33,362)
Other purchased services	1,500,000	1,500,000	1,494,093	5,907
Total vocational education	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,603,796</u>	<u>(103,796)</u>
Other instructional programs:				
Salaries	1,095,495	1,095,495	1,047,827	47,668
Employee benefits	643,956	643,956	669,288	(25,332)
Purchased professional and technical services	-	-	-	-
Other purchased services	220,000	131,000	38,107	92,893
Supplies	15,000	15,000	-	15,000
Other	-	-	-	-
Total other instructional programs	<u>1,974,451</u>	<u>1,885,451</u>	<u>1,755,222</u>	<u>130,229</u>
Non-public school:				
Purchased professional and technical services	16,000	16,000	15,759	241
Supplies	-	-	2,500	(2,500)
Total non-public school	<u>16,000</u>	<u>16,000</u>	<u>18,259</u>	<u>(2,259)</u>
Total instruction	<u>57,319,089</u>	<u>57,326,289</u>	<u>57,952,856</u>	<u>(626,567)</u>

(Continued)

See accompanying notes to required supplementary schedules.

SHALER AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2022
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses:				
Support services:				
Pupil personnel:				
Salaries	2,315,511	2,315,511	2,437,561	(122,050)
Employee benefits	1,462,801	1,462,801	1,550,528	(87,727)
Purchased professional and technical services	30,000	30,000	70,570	(40,570)
Purchased property services	-	-	242	(242)
Other purchased services	7,800	7,800	1,667	6,133
Supplies	42,000	42,000	33,142	8,858
Property	-	-	-	-
Other	2,500	2,500	2,564	(64)
Total pupil personnel	3,860,612	3,860,612	4,096,274	(235,662)
Instructional staff:				
Salaries	907,400	907,400	790,459	116,941
Employee benefits	443,179	443,179	455,100	(11,921)
Purchased professional and technical services	53,600	53,600	47,345	6,255
Purchased property services	1,500	1,500	1,500	-
Other purchased services	7,500	7,500	4,389	3,111
Supplies	149,100	149,100	143,103	5,997
Property	6,200	6,200	6,199	1
Other	116	116	-	116
Total instructional staff	1,568,595	1,568,595	1,448,095	120,500
Administration:				
Salaries	2,199,456	2,199,456	2,273,969	(74,513)
Employee benefits	1,448,198	1,448,198	1,438,047	10,151
Purchased professional and technical services	357,500	357,500	367,095	(9,595)
Purchased property services	50,000	50,000	44,936	5,064
Other purchased services	114,600	114,600	65,692	48,908
Supplies	24,740	24,740	40,261	(15,521)
Property	14,300	14,300	3,121	11,179
Other	28,900	28,900	49,181	(20,281)
Total administration	4,237,694	4,237,694	4,282,302	(44,608)
Pupil health:				
Salaries	510,839	510,839	466,161	44,678
Employee benefits	314,983	314,983	328,183	(13,200)
Purchased professional and technical services	36,000	36,000	105,510	(69,510)
Purchased property services	2,000	2,000	1,070	930
Other purchased services	-	-	10	(10)
Supplies	6,000	6,000	8,177	(2,177)
Property	2,000	2,000	-	2,000
Total pupil health	871,822	871,822	909,111	(37,289)

(Continued)

See accompanying notes to required supplementary schedules.

SHALER AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2022

(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses:				
Business:				
Salaries	415,865	415,865	346,767	69,098
Employee benefits	259,344	259,344	233,619	25,725
Purchased professional and technical services	56,000	56,000	76,010	(20,010)
Purchased property services	100,068	92,868	81,014	11,854
Other purchased services	8,000	8,000	10,071	(2,071)
Supplies	2,500	2,500	15,887	(13,387)
Other	2,500	2,500	1,620	880
Total business	844,277	837,077	764,988	72,089
Operation and maintenance of plant services:				
Salaries	3,123,309	3,123,309	2,893,511	229,798
Employee benefits	1,902,638	1,902,638	1,914,707	(12,069)
Purchased professional and technical services	319,851	322,024	302,223	19,801
Purchased property services	608,071	619,033	653,777	(34,744)
Other purchased services	251,430	251,460	249,033	2,427
Supplies	1,798,435	1,785,300	1,772,110	13,190
Property	20,000	20,000	70,043	(50,043)
Other	1,624	1,594	3,709	(2,115)
Total operation and maintenance of plant services	8,025,358	8,025,358	7,859,113	166,245
Student transportation services:				
Salaries	37,688	37,688	39,614	(1,926)
Employee benefits	23,456	23,456	26,076	(2,620)
Purchased professional and technical services	69,000	69,000	68,685	315
Other purchased services	4,897,000	4,897,000	3,546,208	1,350,792
Supplies	29,000	29,000	82,916	(53,916)
Total student transportation services	5,056,144	5,056,144	3,763,499	1,292,645
Central:				
Salaries	676,566	676,566	684,751	(8,185)
Employee benefits	445,369	445,369	449,133	(3,764)
Purchased professional and technical services	65,100	65,100	42,248	22,852
Other purchased services	15,100	15,100	6,692	8,408
Supplies	191,489	191,489	191,735	(246)
Property	-	-	33,909	(33,909)
Other	1,620	1,620	-	1,620
Total central	1,395,244	1,395,244	1,408,468	(13,224)
Other support services:				
Other purchased services	70,000	70,000	60,960	9,040
Total support services	25,929,746	25,922,546	24,592,810	1,329,736

(Continued)

See accompanying notes to required supplementary schedules.

SHALER AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2022
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses:				
Noninstructional services:				
Student activities:				
Salaries	1,020,805	1,020,805	970,061	50,744
Employee benefits	170,804	170,804	462,334	(291,530)
Purchased professional and technical services	51,840	51,840	52,011	(171)
Purchased property services	28,150	25,030	17,531	7,499
Other purchased services	246,485	232,374	208,312	24,062
Supplies	106,760	115,992	101,638	14,354
Property	68,260	74,019	65,591	8,428
Other	19,675	21,915	33,245	(11,330)
Total student activities	1,712,779	1,712,779	1,910,723	(197,944)
Community services:				
Salaries	55,000	55,000	30,526	24,474
Employee benefits	16,642	16,642	7,671	8,971
Purchased professional and technical services	-	-	7,750	(7,750)
Supplies	19,500	19,500	28,998	(9,498)
Other	30,000	30,000	16,888	13,112
Total community services	121,142	121,142	91,833	29,309
Total noninstructional services	1,833,921	1,833,921	2,002,556	(168,635)
Facilities Acquisition, Construction, and Improvement Services:				
Purchased professional and technical services	-	-	-	-
Purchased property services	10,000	10,000	825,900	(815,900)
Total facilities acquisition, construction, and improvement services	10,000	10,000	825,900	(815,900)
Debt service:				
Interest	7,800	7,800	7,900	(100)
Redemption of principal	182,054	182,054	182,054	-
Bond issuance cost	-	-	271,488	(271,488)
Total debt service	189,854	189,854	461,442	(271,588)
Total expenditures	85,282,610	85,282,610	85,835,564	(552,954)
Other financing uses:				
Refund of prior year revenues	25,000	25,000	40,943	(15,943)
Payment to bond refunding escrow agent	-	-	19,312,332	(19,312,332)
Fund transfers	7,657,373	7,657,373	7,636,459	20,914
Total other financing uses	7,682,373	7,682,373	26,989,734	(19,307,361)
Total expenditures and other financing uses	92,964,983	92,964,983	112,825,298	(19,860,315)
Net Change in Fund Balance	\$ (5,885,483)	\$ (5,885,483)	\$ (2,878,552)	\$ 3,006,931

(Concluded)

See accompanying notes to required supplementary schedules.

SHALER AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET PENSION LIABILITY

Last 10 Fiscal Years¹

	2022	2021	2020	2019	2018	2017	2016	2015
School District's proportion of PSERS' net pension liability	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%	0.27%	0.27%
School District's proportionate share of PSERS' net pension liability	\$ 108,020,000	\$ 130,336,000	\$ 123,225,000	\$ 123,085,000	\$ 126,484,000	\$ 127,559,000	\$ 116,475,000	\$ 106,116,000
School District's covered payroll	\$ 37,184,877	\$ 37,156,044	\$ 36,325,514	\$ 34,529,290	\$ 34,099,755	\$ 33,658,468	\$ 34,193,549	\$ 34,216,000
School District's proportionate share of PSERS' net pension liability as a percentage of its covered payroll	290.49%	350.78%	339.22%	356.47%	370.92%	378.98%	340.63%	310.14%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PENSION PLAN

Last 10 Fiscal Years²

	2022	2021	2020	2019	2018	2017	2016	2015
Contributions recognized by PSERS	\$ 13,578,445	\$ 12,612,814	\$ 12,446,197	\$ 11,922,826	\$ 11,200,198	\$ 9,890,554	\$ 8,309,361	\$ 6,977,855
School District's covered payroll	\$ 39,712,364	\$ 37,248,671	\$ 37,156,044	\$ 36,410,597	\$ 35,027,423	\$ 34,099,755	\$ 33,658,468	\$ 34,193,549
Contributions as a percentage of covered payroll	34.19%	33.86%	33.50%	32.75%	31.98%	29.00%	24.69%	20.41%

²The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

SHALER AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET OPEB LIABILITY

Last 10 Fiscal Years¹

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of PSERS' net OPEB liability	0.26%	0.26%	0.26%	0.26%	0.26%
School District's proportionate share of PSERS' net OPEB liability	\$ 6,217,000	\$ 5,715,000	\$ 5,602,000	\$ 5,346,000	\$ 5,218,000
School District's covered payroll	\$ 37,184,877	\$ 37,156,044	\$ 36,325,514	\$ 34,529,290	\$ 34,098,592
School District's proportionate share of PSERS' net OPEB liability as a percentage of its covered payroll	16.72%	15.38%	15.42%	15.48%	15.30%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PREMIUM ASSISTANCE

Last 10 Fiscal Years²

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contributions recognized by PSERS	\$ 319,587	\$ 308,639	\$ 313,393	\$ 303,557	\$ 292,884
School District's covered payroll	\$ 39,712,364	\$ 37,248,671	\$ 37,156,044	\$ 36,410,597	\$ 35,027,423
Contributions as a percentage of covered payroll	0.8048%	0.8286%	0.8435%	0.8337%	0.8362%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

SHALER AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	\$ 342,020	\$ 213,592	\$ 202,770	\$ 398,687	\$ 392,747
Interest	166,724	241,465	259,672	287,813	236,784
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	241,215	-	554,698	-
Changes of assumptions	204,673	397,713	132,452	(1,908,605)	(164,108)
Benefit payments	(291,629)	(448,892)	(405,775)	(662,194)	(734,156)
Net Changes in Total OPEB Liability	421,788	645,093	189,119	(1,329,601)	(268,733)
Total OPEB Liability - Beginning	7,544,092	6,898,999	6,709,880	8,039,481	8,308,214
Total OPEB Liability - Ending	<u>\$ 7,965,880</u>	<u>\$ 7,544,092</u>	<u>\$ 6,898,999</u>	<u>\$ 6,709,880</u>	<u>\$ 8,039,481</u>

¹ The amounts presented for each fiscal year were determined as of the measurement date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

SHALER AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

1. Budgetary Information

The Shaler Area School District (School District) is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Directors (Board) is then called for the purpose of adopting the proposed budget after 30 days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
4. The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made.

The School District expenditures may not legally exceed the revised budget amounts by amounts in total for the fund unless funds are received in excess of the budgeted State allocation levels. Accordingly, the legal level of budgetary control is at the object level within each function and fund. During fiscal year 2022, expenditures were budgeted at \$93.0 million, while actual expenditures were \$112.8 million. The excess was covered by budgeted fund balance and excess of revenues and other financing sources over budget.

SHALER AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

2. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 68 for the PSERS Pension Plan

Actuarial Valuation Date/ Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
School District Fiscal Year In Which NPL is Recorded	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Mortality	50% PubT-2010 and 50% PubG- 2010	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000	RP-2000
Changes in Benefits	None	None	A new hybrid defined benefit/ defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

SHALER AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

3. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the PSERS Premium Assistance (OPEBs)

Actuarial Valuation Date/ Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
School District Fiscal Year In Which NOL is Recorded	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate	2.18%	2.66%	2.79%	2.98%	3.13%
Salary Increases	4.50%	5.00%	5.00%	5.00%	5.00%
Mortality	50% PubT-2010 and 50% PubG- 2010	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015
Changes in Benefits	None	None	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	0.75%	0.80%	0.82%	0.84%	0.83%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019

4. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the Retiree OPEB Plan

The retiree plan is not administered through a trust and assets are not accumulated in a trust to pay related benefits.

Actuarial Valuation Date	7/1/2020	7/1/2020	7/1/2018	7/1/2018	7/1/2016
School District Fiscal Year In Which NOL is Recorded	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate	2.16%	2.21%	3.50%	3.87%	3.58%
Salary Increases	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality	MP-2020	MP-2019	MP-2018	MP-2018	MP-2016
Changes in Benefits	6.75%	6.75%	6.75%	6.75%	7.00%

SUPPLEMENTARY INFORMATION

SHALER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor / Pass-Through Grantor / Project Title	Federal ALN	Pass-Through Grantor's Number/ Grant Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued (Unearned) Revenue at July 1, 2021	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue at June 30, 2022	Amounts Passed Through to Subrecipients
U.S. Department of Education										
Passed Through the Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	84.010	013-210379	8/20/20-9/30/21	558,081	\$ 40,535	76,942	\$ 35,251	\$ 35,251	\$ 71,658	-
Title I Grants to Local Educational Agencies	84.010	013-220379	9/02/21-9/30/22	596,059	366,467	-	487,729	487,729	121,262	-
Total Title I Grants to Local Educational Agencies					407,002	76,942	522,980	522,980	192,920	-
Supporting Effective Instruction State Grants	84.367	020-210379	8/20/20-9/30/21	116,263	-	(881)	-	-	(881)	-
Supporting Effective Instruction State Grants	84.367	020-220379	9/02/21-9/30/22	114,210	87,590	-	114,210	114,210	26,620	-
Total Supporting Effective Instruction State Grants					87,590	(881)	114,210	114,210	25,739	-
Student Support and Academic Enrichment Program	84.424	144-200379	8/08/19-9/30/20	42,683	6,098	-	3,575	3,575	(2,523)	-
Student Support and Academic Enrichment Program	84.424	144-210379	8/20/20-9/30/21	42,496	-	(4,593)	-	-	(4,593)	-
Student Support and Academic Enrichment Program	84.424	144-220379	9/02/21-9/30/22	41,969	9,679	-	-	-	(9,679)	-
Total Student Support and Academic Enrichment Program					15,777	(4,593)	3,575	3,575	(16,795)	-
COVID-19 - Education Stabilization Fund - ESSER Fund I	84.425D	200-200379	3/13/20-9/30/22	460,242	24,223	227,383	14,840	14,840	218,000	-
COVID-19 - Education Stabilization Fund - ESSER Fund II	84.425D	200-210379	3/13/20-9/30/23	2,060,820	191,704	1,018,009	840,986	840,986	1,667,291	-
COVID-19 - Education Stabilization Fund - ARP ESSER	84.425U	223-210379	3/13/20-9/30/24	4,168,442	227,370	-	2,046,098	2,046,098	1,818,728	-
COVID-19 - Education Stabilization Fund - ARP ESSER 7%	84.425U	225-210379	3/13/20-9/30/24	971,946	23,562	-	-	-	(23,562)	-
COVID-19 - Education Stabilization Fund - ARP ESSER Homeless Children and Youth	84.425W	181-212388	7/01/21-9/30/24	26,060	2,005	-	178	178	(1,827)	-
Passed Through Pennsylvania Commission on Crime and Delinquency:										
COVID-19 - Education Stabilization Fund - ESSER Fund I	84.425D	35391	3/13/20-9/30/22	114,545	71,318	71,318	-	-	-	-
Total Education Stabilization Fund					540,182	1,316,710	2,902,102	2,902,102	3,678,630	-
Passed Through the Allegheny County Intermediate Unit:										
Special Education Cluster:										
Special Education - Preschool Grants	84.173	131-21-0-003	7/01/20-6/30/21	4,760	4,760	4,760	-	-	-	-
Special Education - Preschool Grants	84.173	131-22-0-003	7/01/21-9/30/22	5,607	5,607	-	5,607	5,607	-	-
Total Special Education - Preschool Grants					10,367	4,760	5,607	5,607	-	-
Special Education - Grants to States	84.027	RA-062-21-0-003	7/01/20-9/30/21	826,789	241,874	203,874	38,000	38,000	-	-
Special Education - Grants to States	84.027	RA-062-22-0-003	7/01/21-9/30/22	788,665	356,054	-	788,665	788,665	432,611	-
Total Special Education - Grants to States					597,928	203,874	826,665	826,665	432,611	-
COVID-19 ARP Act - IDEA Supplemental Funding	84.027	RA-062-22-0-003	7/01/21-9/30/22	199,256	-	-	199,256	199,256	199,256	-
Passed Through the Pennsylvania Department of Education:										
COVID-19 - SEICM - Special Education Grants to States	84.027	252-200379	7/01/20-9/30/22	23,754	1,584	(7,918)	-	-	(9,502)	-
Subtotal 84.027					599,512	195,956	1,025,921	1,025,921	622,365	-
Total Special Education Cluster					609,879	200,716	1,031,528	1,031,528	622,365	-
Total U.S. Department of Education					1,660,430	1,588,894	4,574,395	4,574,395	4,502,859	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

SHALER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022
(Continued)

Federal Grantor / Pass-Through Grantor / Project Title	Federal ALN	Pass-Through Grantor's Number/ Grant Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued (Unearned) Revenue at July 1, 2021	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue at June 30, 2022	Amounts Passed Through to Subrecipients
<u>U.S. Department of Health and Human Services</u>										
Passed Through Pennsylvania Department of Human Services: Medicaid Cluster - Medical Assistance Program	93.778	N/A	N/A	N/A	36,683	-	36,683	36,683	-	-
Total U.S. Department of Health and Human Services					36,683	-	36,683	36,683	-	-
<u>U.S. Department of Agriculture</u>										
Passed Through Pennsylvania Department of Education: State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	N/A	7/01/21-6/30/22	N/A	3,063	-	3,063	3,063	-	-
Child Nutrition Cluster:										
School Breakfast Program	10.553	N/A	7/01/20-9/30/21	N/A	11,401	11,401	-	-	-	-
School Breakfast Program	10.553	N/A	7/01/21-9/30/22	N/A	288,293	-	293,086	293,086	4,793	-
Total School Breakfast Program					299,694	11,401	293,086	293,086	4,793	-
National School Lunch Program	10.555	N/A	7/01/20-9/30/21	N/A	56,102	56,102	-	-	-	-
National School Lunch Program	10.555	N/A	7/01/21-9/30/22	N/A	1,816,462	-	1,830,451	1,830,451	13,989	-
Total National School Lunch Program					1,872,564	56,102	1,830,451	1,830,451	13,989	-
COVID-19 Supply Chain Assistance	10.555	N/A	7/01/21-9/30/22	N/A	77,430	-	77,430	77,430	-	-
COVID-19 SNP Emergency Operating Costs	10.555	N/A	7/01/21-9/30/22	N/A	80,665	-	80,665	80,665	-	-
Passed through the Pennsylvania Department of Agriculture: National School Lunch Program	10.555	N/A	7/1/21-9/30/22	135,793	102,765	(14,988)	110,810	110,810	(6,943)	-
Subtotal 10.555					2,133,424	41,114	2,099,356	2,099,356	7,046	-
Total Child Nutrition Cluster					2,433,118	52,515	2,392,442	2,392,442	11,839	-
Total U.S. Department of Agriculture					2,433,118	52,515	2,392,442	2,392,442	11,839	-
Total Expenditures of Federal Awards					\$ 4,133,294	\$ 1,641,409	\$ 7,006,583	\$ 7,006,583	\$ 4,514,698	\$ -

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

SHALER AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Shaler Area School District (School District) under programs of the federal government for the year ended June 30, 2022. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the modified accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Shaler Area School District

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2022

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**Board of Directors
Shaler Area School District**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shaler Area School District (School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Board of Directors
Shaler Area School District
Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maher Duessel

Pittsburgh, Pennsylvania
March 1, 2023

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Shaler Area School District**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program(s)

We have audited Shaler Area School District's (School 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 each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Programs

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Board of Directors
Shaler Area School District
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

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

Report on Internal Control over Compliance

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

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

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

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

Mahe Duessel

Pittsburgh, Pennsylvania
March 1, 2023

SHALER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

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

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

ALN(s)

84.425

Name of Federal Program or Cluster

COVID-19 Education Stabilization Fund

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

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards

No matters were reported.

SHALER AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

NONE