

TROY AREA SCHOOL DISTRICT

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

FISCAL YEAR ENDED JUNE 30, 2022

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TROY AREA SCHOOL DISTRICT

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2022 FINANCIAL STATEMENTS

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TRANSMITTAL LETTER

**Pennsylvania Department of Education
Bureau of Budgets and Fiscal Management
Bureau Director
333 Market Street – 4th Floor
Harrisburg, PA 17126-0333**

Ladies and Gentlemen:

Enclosed you will find the audit package for the **Troy Area School District** for the year ended June 30, 2022.

We have audited the financial statements of the **Troy Area School District** for the year ended June 30, 2022 and have issued our report thereon dated December 6, 2022. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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.

In addition, we have issued a management letter dated December 6, 2022, which is included in the audit package.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 6, 2022**

TROY AREA SCHOOL DISTRICT
SCHEDULE OF REPORT DISTRIBUTION

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INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Troy Area School District
Troy, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Report on Summarized Comparative Information

We have previously audited the **Troy Area School District's** June 30, 2021 financial statements, and our report dated December 7, 2021, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 12), schedule of changes in the District's net OPEB liability and related ratios – District Plan (page 47), schedule of changes in the District's net OPEB liability and related ratios – PSERS Plan (page 48), schedule of District contributions to OPEB – District Plan (page 49), schedule of District contributions to OPEB – PSERS Plan (page 50), schedule of the District's proportionate share of the net pension liability (page 51) and the schedule of District contributions – Pension (page 52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Troy Area School District's** basic financial statements. The supplementary information including the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements.

The supplementary information including the Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards are 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 Comparative Statements of Revenue and Expenditures – General Fund, Statement of Cash Receipts and Disbursements – Activity Fund and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2022, on our consideration of the **Troy Area School District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 **Troy Area 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 **Troy Area School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 6, 2022**

I. Discussion and Analysis

The following is a discussion and analysis of the **Troy Area School District's** financial performance for the year ended June 30, 2022. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the **Troy Area School District** during the fiscal year ended June 30, 2022:

- Overall net position from operations of the District increased \$3,076,000 during the fiscal year ended June 30, 2022. This consisted of a increase in governmental activities in the amount of \$2,838,000 and an increase in business-type activities \$238,000.
- The District's total revenue increased approximately \$1,880,000 from \$27,156,000 during the year ended June 30, 2021 to \$29,036,000 during the year ended June 30, 2022. This increase is primary related to increases in operating grants and subsidy related to Federal COVID-19 funding, taxes and state subsidies.
- The District's total expenses decreased approximately \$1,344,000 from \$27,304,000 during the year ended June 30, 2021 to \$25,960,000 during the year ended June 30, 2022. This decrease was primarily related to decreases in pension expense related to an actuarial update and a decrease in supplies. These decreases were partially offset by an increase in salaries and benefits.
- The District had capital additions during the current fiscal year in the amount of \$702,000, which was comprised of \$697,000 in the governmental activities and \$5,000 in the business-type activities. The current year additions were primarily related to a technology upgrades, including smart boards, along with purchases of a scoreboard and other equipment.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of **Troy Area School District**.

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 13) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 14) shows amounts of program-specific and general District revenue used to support the various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including instruction, support services, non-instructional services, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities

The two district-wide statements report the School District's net position and how they have changed. Net Position– the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):

1. Governmental Funds (continued)

view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

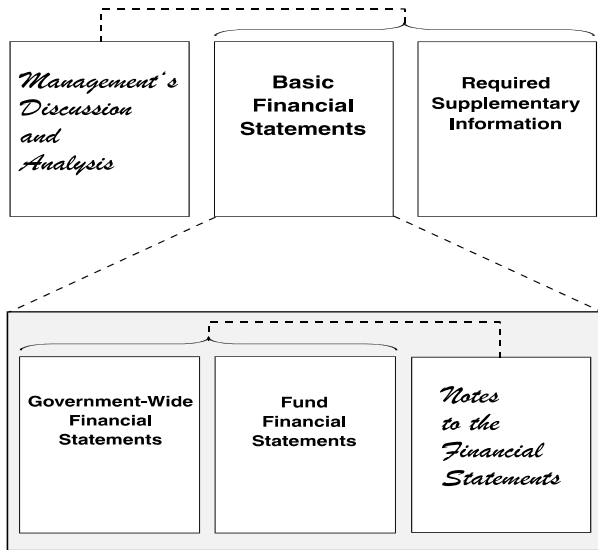
The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

| | Fund Financial Statements | | |
|---|---|---|--|
| | District-Wide | Governmental Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Funds used to account for resources held for the benefit of parties outside the District |
| Required financial statements | Statement of Net Position (Deficit) Statement of Activities | Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances | Statement of Net Position (Deficit) Statement of Changes in Net Position (Deficit) |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus |
| Type of asset/deferred outflows of resources /liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can |
| 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 the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

**TROY AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Figure A-2 - Required Components of the District's Annual Financial Report



Summary ← → Detail

Figure A-3 – Condensed Statement of Net Position

| <i>Troy Area School District</i> | | | | | | | | | |
|---|-------------------------|------------------|-------------|--------------------------|---------------|------------|------------------|------------------|-------------|
| Condensed Statement of Net Position (in thousands of dollars) | | | | | | | | | |
| | Governmental Activities | | | Business-type Activities | | | Total | | |
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Assets | | | | | | | | | |
| Current and other assets | \$ 10,986 | \$ 11,346 | -3% | \$ 528 | \$ 281 | 88% | \$ 11,514 | \$ 11,627 | -1% |
| Capital assets | 40,078 | 40,452 | -1% | 51 | 57 | -10% | 40,129 | 40,509 | -1% |
| Total assets | <u>51,064</u> | <u>51,798</u> | <u>-1%</u> | <u>579</u> | <u>338</u> | <u>72%</u> | <u>51,643</u> | <u>52,136</u> | <u>-1%</u> |
| Deferred Outflows of Resources | | | | | | | | | |
| Deferred outflows related to pensions and OPEB | 7,716 | 8,310 | -7% | - | - | n/a | 7,716 | 8,310 | -7% |
| Total assets and deferred outflows of resources | <u>\$ 58,780</u> | <u>\$ 60,108</u> | <u>-2%</u> | <u>\$ 579</u> | <u>\$ 338</u> | <u>72%</u> | <u>\$ 59,359</u> | <u>\$ 60,446</u> | <u>-2%</u> |
| Liabilities | | | | | | | | | |
| Other liabilities | \$ 3,108 | \$ 3,411 | -9% | \$ 81 | \$ 78 | 4% | \$ 3,189 | \$ 3,489 | -9% |
| Long-term debt outstanding | 59,357 | 67,003 | -11% | - | - | - | 59,357 | 67,003 | -11% |
| Total liabilities | <u>62,465</u> | <u>70,414</u> | <u>-11%</u> | <u>81</u> | <u>78</u> | <u>4%</u> | <u>62,546</u> | <u>70,492</u> | <u>-11%</u> |
| Deferred Inflows of Resources | | | | | | | | | |
| Deferred inflows related to pensions and OPEB | 5,967 | 2,184 | 173% | - | - | n/a | 5,967 | 2,184 | 173% |
| Total deferred inflows of resources and liabilities | <u>68,432</u> | <u>72,598</u> | <u>-6%</u> | <u>81</u> | <u>78</u> | <u>4%</u> | <u>68,513</u> | <u>72,676</u> | <u>-6%</u> |
| Net Position | | | | | | | | | |
| Invested in capital assets, net of related debt | 16,647 | 15,055 | 11% | 51 | 57 | -10% | 16,698 | 15,112 | 10% |
| Restricted | 1,415 | 1,347 | 5% | - | - | - | 1,415 | 1,347 | 5% |
| Unrestricted | | | | | | | | | |
| Unreserved (deficit) | (27,714) | (28,892) | -4% | 447 | 203 | 120% | (27,267) | (28,689) | -5% |
| Total net position (deficit) | <u>(9,652)</u> | <u>(12,490)</u> | <u>-23%</u> | <u>498</u> | <u>260</u> | <u>91%</u> | <u>(9,154)</u> | <u>(12,230)</u> | <u>-25%</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 58,780</u> | <u>\$ 60,108</u> | <u>-2%</u> | <u>\$ 579</u> | <u>\$ 338</u> | <u>71%</u> | <u>\$ 59,359</u> | <u>\$ 60,446</u> | <u>-2%</u> |

IV. Financial Analysis of the School District as Whole

Net Position

The District's total reporting entity net deficit was approximately \$9,154,000 as of June 30, 2022. The components of net deficit include: net investment in capital assets of \$16,698,000; restricted net position for capital reserve and debt service in the amount of \$1,415,000 and unrestricted net deficit of \$27,267,000.

Changes in Net Position

The District's total government-wide revenue increased by 7% to \$29,036,000. Approximately 31%, 33% and 34% of total revenue is derived from the property taxes, operating grants and state sources, respectively. The remaining 2% comes from federal aid, sale of property, local sources, charges for services and other sources.

The total cost of all programs and services of the District decreased 5% to \$25,960,000. The District's expenses cover a range of services, with 62% related to instruction and 30% related to support services.

Figure A-4 – Changes in Net Position from Operating Results

| <i>Troy Area School District</i> | | | | | | | | | |
|---|-------------------------|-----------------|------------|--------------------------|--------------|------------|-----------------|-----------------|------------|
| <i>Changes in Net Position from Operating Results (in thousands of Dollars)</i> | | | | | | | | | |
| | Governmental Activities | | | Business-type activities | | | Total | | |
| | 2022 | 2021 | % Change | 2022 | 2021 | % Change | 2022 | 2021 | % Change |
| Revenue | | | | | | | | | |
| Program revenue | | | | | | | | | |
| Charges for services | \$ 161 | \$ 187 | -14% | \$ 77 | \$ 43 | 79% | \$ 238 | \$ 230 | 3% |
| Operating grants and contributions | 8,371 | 7,421 | 13% | 1,179 | 921 | 28% | 9,550 | 8,342 | 14% |
| General revenue | | | | | | | | | |
| Taxes | 8,985 | 8,771 | 2% | - | - | - | 8,985 | 8,771 | 2% |
| Interest earned | 21 | 16 | 31% | - | - | - | 21 | 16 | 31% |
| Local sources | 346 | 103 | 236% | - | - | - | 346 | 103 | 236% |
| State sources | 9,896 | 9,694 | 2% | - | - | - | 9,896 | 9,694 | 2% |
| Transfers in (out) | - | - | - | - | - | n/a | - | - | - |
| Total revenue | <u>27,780</u> | <u>26,192</u> | <u>6%</u> | <u>1,256</u> | <u>964</u> | <u>30%</u> | <u>29,036</u> | <u>27,156</u> | <u>7%</u> |
| Expenses | | | | | | | | | |
| Instruction | 15,987 | 16,281 | -2% | - | - | - | 15,987 | 16,281 | -2% |
| Support services | 7,588 | 8,847 | -14% | - | - | - | 7,588 | 8,847 | -14% |
| Non-instructional services | 659 | 530 | 24% | - | - | - | 659 | 530 | 24% |
| Other uses | | | | | | | | | |
| Debt service - interest | 708 | 762 | -7% | - | - | - | 708 | 762 | -7% |
| Business-type (food service fund) | - | - | - | 1,018 | 884 | 15% | 1,018 | 884 | 15% |
| Total expenses | <u>24,942</u> | <u>26,420</u> | <u>-6%</u> | <u>1,018</u> | <u>884</u> | <u>15%</u> | <u>25,960</u> | <u>27,304</u> | <u>-5%</u> |
| Change in net position | \$ 2,838 | \$ (228) | | \$ 238 | \$ 80 | | \$ 3,076 | \$ (148) | |

IV. Financial Analysis of the School District as a Whole (continued)

Figure A-5 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities - Revenue

Revenue of the District's governmental activities increased 6%, while total expenses decreased 6%. The District's net position from operations increased approximately \$2,838,000 during the fiscal year ended June 30, 2022.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Total revenue of the District was \$27,780,000 for the fiscal year ended June 30, 2022. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 31% of the District's total revenue for governmental activities increased approximately 2% during the year ended June 30, 2022 related to an increase in the tax levy and earned income taxes.
- The District's state sources which represent \$9,896,000 or 34% of total governmental revenue increased approximately 2% in comparison with the prior year primarily related to basic state subsidy.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2022, the District saw an increase in program revenue, which mostly resulted in an increase in operating grants and contributions which increased \$950,000 over prior year revenue and from a decrease in charges for services in the amount of \$26,000. The increase in operating grants and contributions was primarily attributed to Federal COVID-19 funding received in the current year.

Governmental Activities - Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; instruction, support services, non-instructional services, debt service and food service; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and Commonwealth of Pennsylvania by each of these functions. Total costs of the District's governmental activities were \$24,942,000.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Expenses (continued)

The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's instruction costs decreased by approximately \$294,000 or 2% which was primarily due to a decrease in pension expense related to an actuarial update. These decreases were partially offset by an increase in charter school tuition, salaries and health insurance costs.
- The District's support services costs decreased by approximately \$1,259,000 or 14% during the year ended June 30, 2022 due to a decrease in actuarial pension expense and a decrease in supply purchases.
- Non-instructional costs of the District increased approximately \$129,000 or 24% during the year ended June 30, 2022.

IV. Financial Analysis of the School District as a Whole (continued)

Governmental Activities - Expenses (continued)

- The District's other financing uses decreased \$54,000.
- For governmental activities, the District received approximately \$8,532,000 of operating grants and charges for services from its state and federal grants which subsidized certain programs of the District.
- Most of the District's net costs (\$16.4 million) were financed by real property taxes and state aid.

Figure A-5 – District-wide Sources of Revenue

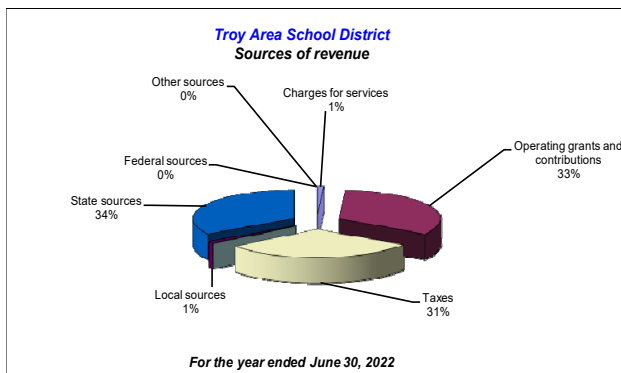
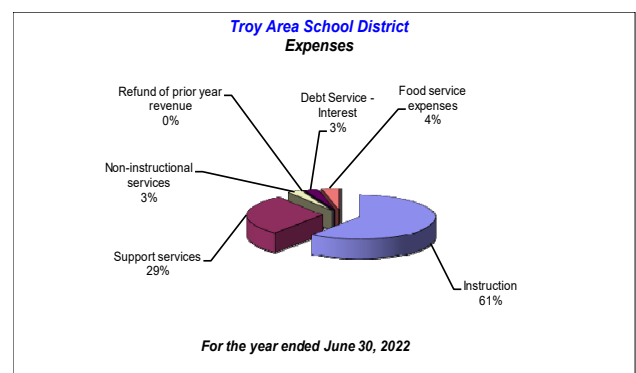


Figure A-6 – District-wide Expenses



**TROY AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Figure A-7 – Expenditures Supported with Program Revenue

| <i>Troy Area School District</i> | | | | | | | | | | | | |
|--|-------------------------|-------------|------------------|-------------|--------------------------|-------------|---------------|-------------|------------------|-------------|------------------|-------------|
| <i>Expenditures supported with program revenue (in thousands of dollars)</i> | | | | | | | | | | | | |
| | Governmental Activities | | | | Business-type Activities | | | | Total | | | |
| | 2022 | | 2021 | | 2022 | | 2021 | | 2022 | | 2021 | |
| Expenditures supported with general revenue (from taxes & other sources) | \$ 16,410 | 66% | \$ 18,812 | 71% | \$ (238) | -23% | \$ (80) | -9% | \$ 16,172 | 62% | \$ 18,732 | 69% |
| Expenditures supported with program revenue | 8,532 | 34% | 7,608 | 29% | 1,256 | 123% | 964 | 109% | 9,788 | 38% | 8,572 | 31% |
| Total expenditures related to governmental activities | \$ 24,942 | 100% | \$ 26,420 | 100% | \$ 1,018 | 100% | \$ 884 | 100% | \$ 25,960 | 100% | \$ 27,304 | 100% |

Figure A-8 – Net Cost of Governmental Activities

| <i>Troy Area School District</i> | | | | | | |
|---|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| <i>Net Cost of District-wide expenses (in thousands of dollars)</i> | | | | | | |
| | Total cost of services | | | Net cost of services | | |
| | 2022 | 2021 | Change | 2022 | 2021 | Change |
| Instruction | \$ 15,987 | \$ 16,281 | \$ (294) | \$ 10,799 | \$ 11,321 | \$ (522) |
| Support services | 7,588 | 8,847 | (1,259) | 5,217 | 7,000 | (1,783) |
| Non-instructional services | 659 | 530 | 129 | 576 | 413 | 163 |
| Debt service - interest | 708 | 762 | (54) | (182) | 78 | (260) |
| Food service | 1,018 | 884 | 134 | (238) | (80) | (158) |
| Total | \$ 25,960 | \$ 27,304 | \$ (1,344) | \$ 16,172 | \$ 18,732 | \$ (2,560) |

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position (Deficit) and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of Net Position (Deficit) are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund expenditures and other uses exceeded its revenues and other sources by approximately \$117,000.

V. Financial Analysis of the School District's Funds (continued)

General Fund (continued)

- The District's general fund unassigned fund balance equated to approximately \$1,596,000 as of June 30, 2022.
- The District had assigned fund balance as of June 30, 2022 in the amount of approximately \$1,441,000.
- The District had committed fund balance of as of June 30, 2022 in the amount of \$2,912,000.
- The District's total assets decreased approximately \$308,000 while liabilities and deferred inflows of resources decreased \$191,000 during the year ended June 30, 2022. The decrease in assets was primarily due to a decrease in cash which was partially offset by an increase in intergovernmental receivables, while the decrease in liabilities was primarily related to a decrease in accrued liabilities.
- Total revenue in the District's general fund increased \$1,318,000 which was primarily related to an increase Federal COVID-19 funding, taxes and state subsidy. Total expenditures and other uses increased \$789,000, which resulted from increases in salaries and benefits, charter school tuition and technology purchases.

**TROY AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**V. Financial Analysis of the School District's Funds
(continued)**

Capital Reserve Fund

During the current year, the District had expenditures in its capital reserve fund in the amount \$18,436 primarily related to costs associated with the track. In addition, a prior year accounts payable in the capital reserve was reversed in the amount of \$40,000, resulting in a \$(21,564) expense.

Special Revenue Fund

During the current year, the District had revenue and expenditures related to the extraclassroom activity.

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. After such transfers, the revised budget presents actual expenditures being approximately \$107,000 above the revised budget. The most significant variance was in instruction which was \$615,000, above that budgeted, while other uses were approximately \$475,000, below budget. On the other hand, resources available for appropriations were approximately \$974,000 above the final budgeted amount. Significant variance of revenue items consisted of local, state and Federal sources which totaled \$459,000, \$270,000, and \$279,000, respectively, above the revised budget.

Figure A-9 – General Fund Budget vs. Actual

| <i>Troy Area School District</i> | | | | |
|---|------------------|------------------|------------|--------------|
| <i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i> | | | | |
| | Revised Budget | Actual | Difference | |
| Revenue | | | | |
| Local sources | \$ 9,256 | \$ 9,715 | \$ | 459 |
| State sources | 15,831 | 16,101 | | 270 |
| Federal sources | 1,628 | 1,873 | | 245 |
| Other sources | - | - | | - |
| Total revenue | \$ 26,715 | \$ 27,689 | \$ | 974 |
| Expenditures | | | | |
| Instruction | \$ 15,669 | \$ 16,284 | \$ | (615) |
| Support services | 8,355 | 8,170 | | 185 |
| Non-instructional services | 533 | 579 | | (46) |
| Other uses | 475 | - | | 475 |
| Debt service | 2,622 | 2,728 | | (106) |
| Operating transfers | 45 | 45 | | - |
| Total expenditures | \$ 27,699 | \$ 27,806 | \$ | (107) |

VII. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2022, the District had invested \$40,129,000 in a broad range of capital assets, including reconstruction projects and other equipment. Capital additions made during the year ended June 30, 2022, totaled approximately \$702,000 and was primarily due to a technology upgrades, including smart boards, along with purchases of a new scoreboard and other equipment.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2022, the District had approximately \$59,358,000 in bonds, leases, net pension liability, other post-employment benefits and compensated absences. The overall outstanding balance decreased approximately 11% as compared with the previous year. The increase in the other post-employment benefit liabilities are the result of actuarial updates, and the decrease in the District's proportionate share of the net pension liability of the State's pension system is a result of an actuarial update. Bonds payable decreased as a result from the District making regularly scheduled principal payments. During the current year, the District also paid off its lease for IT equipment.

Figure A-10 – Capital Assets

| <i>Troy Area School District</i> | | | |
|---|---|----------------------|------------|
| <i>Capital Assets (net of depreciation)</i> | | | |
| | Governmental Activities & Total District-wide | | |
| | 2022 | 2021 | Change |
| Land and site improvements | \$ 3,082,371 | \$ 3,172,240 | -3% |
| Building and construction-in-progress | 35,719,758 | 36,416,017 | -2% |
| Furniture and equipment | 1,294,577 | 887,864 | 46% |
| Transportation vehicles | 32,734 | 32,734 | 0% |
| Total Capital Assets, net | \$ 40,129,440 | \$ 40,508,855 | -1% |

Figure A-11 – Outstanding Long-term Debt

| <i>Troy Area School District</i> | | | |
|---|---|----------------------|-------------|
| <i>Outstanding Long-Term Debt and Liabilities</i> | | | |
| | Governmental Activities & Total District-wide | | |
| | 2022 | 2021 | Change |
| Bonds payable | \$ 23,179,328 | \$ 25,069,282 | -8% |
| Lease liability | - | 105,832 | n/a |
| Net pension liability | 28,945,000 | 34,812,000 | -17% |
| Compensated absences | 114,749 | 124,576 | -8% |
| Other post employment benefits | 7,118,578 | 6,892,071 | 3% |
| Total Long-Term Liabilities | \$ 59,357,655 | \$ 67,003,761 | -11% |

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is uncertain as to the ongoing impact in the upcoming years as a result of the Covid-19 Pandemic.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Troy Area School District
Ms. Traci Gilliland, Business Manager
District Administrative Offices
68 Fenner Avenue
Troy, PA 16947

**TROY AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022**

| | 2022 | | | 2021 Total |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash | | | | |
| Unrestricted | \$ 5,601,641 | \$ 378,904 | \$ 5,980,545 | \$ 7,465,252 |
| Restricted | 1,415,479 | - | 1,415,479 | 1,347,277 |
| Receivables | | | | |
| Taxes, net | 757,326 | - | 757,326 | 835,118 |
| State and federal aid | 2,962,669 | 31,633 | 2,994,302 | 1,898,916 |
| Other receivables | 35,225 | 2,280 | 37,505 | 17,542 |
| Due from other governmental activities | - | 67,384 | 67,384 | 29,779 |
| Inventories | - | 47,442 | 47,442 | 26,039 |
| Prepaid expenses | 213,992 | - | 213,992 | 7,089 |
| Capital assets, net | 40,078,161 | 51,279 | 40,129,440 | 40,508,855 |
| Total assets | <u>51,064,493</u> | <u>578,922</u> | <u>51,643,415</u> | <u>52,135,867</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related to pensions | 5,380,441 | - | 5,380,441 | 5,912,375 |
| Deferred outflows related to OPEB | 2,335,437 | - | 2,335,437 | 2,397,942 |
| Total deferred outflows of resources | <u>7,715,878</u> | <u>-</u> | <u>7,715,878</u> | <u>8,310,317</u> |
| Total assets and deferred outflows of resources | <u>\$ 58,780,371</u> | <u>\$ 578,922</u> | <u>\$ 59,359,293</u> | <u>\$ 60,446,184</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and retainage payable | \$ 506,477 | \$ - | \$ 506,477 | \$ 521,675 |
| Accrued liabilities | 2,244,375 | 40,094 | 2,284,469 | 2,570,642 |
| Accrued interest | 251,698 | - | 251,698 | 275,270 |
| Due to other governmental activities | - | - | - | - |
| Due to business type activities | 67,384 | - | 67,384 | 29,779 |
| Unearned revenue | 38,395 | 40,572 | 78,967 | 90,966 |
| Long-term liabilities | | | | |
| Portion due or payable within one year | | | | |
| Bonds payable | 1,840,000 | - | 1,840,000 | 1,770,000 |
| Lease liability | - | - | - | 27,450 |
| Portion due or payable after one year | | | | |
| Bonds payable, net | 21,339,328 | - | 21,339,328 | 23,299,282 |
| Lease liability | - | - | - | 78,382 |
| Net pension liability | 28,945,000 | - | 28,945,000 | 34,812,000 |
| Compensated absences | 114,749 | - | 114,749 | 124,576 |
| Other post employment benefits | 7,118,578 | - | 7,118,578 | 6,892,071 |
| Total liabilities | <u>62,465,984</u> | <u>80,666</u> | <u>62,546,650</u> | <u>70,492,093</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows related to pensions | 5,108,000 | - | 5,108,000 | 1,378,000 |
| Deferred inflows related to OPEB | 858,593 | - | 858,593 | 806,008 |
| Total deferred inflows of resources | <u>5,966,593</u> | <u>-</u> | <u>5,966,593</u> | <u>2,184,008</u> |
| Net Position | | | | |
| Net investment in capital assets | 16,647,135 | 51,279 | 16,698,414 | 15,111,467 |
| Restricted for | | | | |
| Capital | 1,415,479 | - | 1,415,479 | 1,347,277 |
| Unrestricted (deficit) | (27,714,820) | 446,977 | (27,267,843) | (28,688,661) |
| Total net position (deficit) | <u>(9,652,206)</u> | <u>498,256</u> | <u>(9,153,950)</u> | <u>(12,229,917)</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 58,780,371</u> | <u>\$ 578,922</u> | <u>\$ 59,359,293</u> | <u>\$ 60,446,184</u> |

**TROY AREA SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

| | 2022 | | | | | | 2021 |
|---|---------------|------------------------------|---------------------------------------|------------------|---------------------------------------|--|---|
| | Expenses | Indirect Expenses Allocation | Program Revenues Charges for Services | Operating Grants | Net (Expense) Governmental Activities | Revenue and Changes in Net Position Business-Type Activities | Net (Expense) Revenue and Changes in Net Position |
| Functions/Programs | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 15,292,691 | \$ 694,474 | \$ 95,476 | \$ 5,092,573 | \$ (10,799,116) | \$ - | \$ (11,321,715) |
| Instructional student support | 1,944,677 | 111,399 | - | 780,030 | (1,276,046) | - | (2,439,665) |
| Administrative and financial support services | 1,697,439 | 77,071 | - | 231,442 | (1,543,068) | - | (1,645,301) |
| Operation and maintenance of plant services | 1,920,927 | 87,254 | 37,757 | 25,153 | (1,945,271) | - | (2,303,823) |
| Pupil transportation | 1,483,899 | 70,964 | - | 1,295,874 | (258,989) | - | (361,712) |
| Central support | 193,948 | - | - | - | (193,948) | - | (248,496) |
| Student activities | 629,411 | 29,891 | 27,711 | 55,467 | (576,124) | - | (460,182) |
| Community services | - | - | - | - | - | - | 47,196 |
| Debt service | 708,193 | - | - | 890,177 | 181,984 | - | (78,437) |
| Depreciation | 1,071,053 | (1,071,053) | - | - | - | - | - |
| Total governmental activities | 24,942,238 | - | 160,944 | 8,370,716 | (16,410,578) | - | (18,812,135) |
| Business-type activities: | | | | | | | |
| Food services | 1,018,136 | - | 77,290 | 1,178,863 | - | 238,017 | 80,235 |
| Total functions and programs | \$ 25,960,374 | \$ - | \$ 238,234 | \$ 9,549,579 | (16,410,578) | 238,017 | (18,731,900) |

General Revenue

| | | | | |
|--|-----------------------|-------------------|-----------------------|------------------------|
| Real property taxes, levied for general purposes | 7,582,917 | - | 7,582,917 | 7,388,042 |
| Other taxes levied | 1,402,448 | - | 1,402,448 | 1,382,906 |
| Interest earnings | 21,319 | - | 21,319 | 16,472 |
| Other local sources | 345,598 | - | 345,598 | 103,172 |
| State sources | 9,895,816 | - | 9,895,816 | 9,693,522 |
| | <hr/> | | | |
| Total general revenue | 19,248,528 | - | 19,248,528 | 18,584,114 |
| | <hr/> | | | |
| Change in net position | 2,837,950 | 238,017 | 3,075,967 | (147,786) |
| Net position (deficit) - beginning of year | (12,490,156) | 260,239 | (12,229,917) | (12,213,370) |
| Prior period adjustments | - | - | - | 131,239 |
| | <hr/> | | | |
| Net position (deficit) - end of year | \$ (9,652,206) | \$ 498,256 | \$ (9,153,950) | \$ (12,229,917) |
| | <hr/> <hr/> | | | |

**TROY AREA SCHOOL DISTRICT
COMBINED BALANCE SHEETS – ALL GOVERNMENTAL FUNDS
AS OF JUNE 30,**

| | 2022 | | | 2021 | |
|---|---------------------|---------------------|-------------------|----------------------|----------------------|
| | General | Capital Reserve | Special Revenue | Total | (Memo only) Total |
| Assets | | | | | |
| Unrestricted cash and cash equivalents | \$ 5,553,405 | \$ - | \$ 112,979 | \$ 5,666,384 | \$ 7,261,747 |
| Restricted cash | - | 1,350,736 | - | 1,350,736 | 1,364,917 |
| Taxes receivable, net | 757,326 | - | - | 757,326 | 835,118 |
| Intergovernmental receivables | 2,962,669 | - | - | 2,962,669 | 1,859,377 |
| Due from other funds | 78,444 | 64,743 | 334 | 143,521 | 64,882 |
| Other receivables | 35,225 | - | - | 35,225 | 17,457 |
| Prepaid expenses | 213,992 | - | - | 213,992 | 7,089 |
| Total assets | <u>\$ 9,601,061</u> | <u>\$ 1,415,479</u> | <u>\$ 113,313</u> | <u>\$ 11,129,853</u> | <u>\$ 11,410,587</u> |
| Liabilities, Deferred Inflows of Resources and Fund Equity | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 506,477 | \$ - | \$ - | \$ 506,477 | \$ 521,675 |
| Accrued salaries and benefits | 2,242,229 | - | - | 2,242,229 | 2,521,374 |
| Payroll deductions and withholdings | 2,146 | - | - | 2,146 | 2,060 |
| Due to other funds | 210,905 | - | - | 210,905 | 94,661 |
| Unearned revenue | 38,395 | - | - | 38,395 | 60,603 |
| Total liabilities | <u>3,000,152</u> | <u>-</u> | <u>-</u> | <u>3,000,152</u> | <u>3,200,373</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows - delinquent real estate taxes | 437,442 | - | - | 437,442 | 468,596 |
| Fund Equity | | | | | |
| Nonspendable | 213,992 | - | - | 213,992 | 7,089 |
| Restricted | - | 1,415,479 | - | 1,415,479 | 1,347,277 |
| Committed | 2,912,135 | - | 113,313 | 3,025,448 | 3,026,265 |
| Assigned | 1,440,896 | - | - | 1,440,896 | 1,784,840 |
| Unassigned | 1,596,444 | - | - | 1,596,444 | 1,576,147 |
| Total fund equity | <u>6,163,467</u> | <u>1,415,479</u> | <u>113,313</u> | <u>7,692,259</u> | <u>7,741,618</u> |
| Total liabilities, deferred inflows of resources and fund equity | <u>\$ 9,601,061</u> | <u>\$ 1,415,479</u> | <u>\$ 113,313</u> | <u>\$ 11,129,853</u> | <u>\$ 11,410,587</u> |

TROY AREA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
EQUITY - ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30,

| | 2022 | | | | 2021 | |
|--|--------------|---------------------|--------------------|--------------------|--------------|----------------------|
| | General | Capital Projects | Capital Reserve | Special Revenue | Total | (Memo only) Total |
| Revenue | | | | | | |
| Local sources | \$ 9,714,188 | \$ - | \$ 1,755 | \$ 121,391 | \$ 9,837,334 | \$ 9,451,395 |
| State sources | 16,101,235 | - | - | - | 16,101,235 | 15,673,822 |
| Federal sources | 1,872,773 | - | - | - | 1,872,773 | 1,165,719 |
| Proceeds from the issuance of lease | - | - | - | - | - | 133,282 |
| Interfund transfers | - | - | 44,883 | - | 44,883 | 36,082 |
| Total revenue and other sources | 27,688,196 | - | 46,638 | 121,391 | 27,856,225 | 26,460,300 |
| Expenditures | | | | | | |
| Instruction | 16,284,141 | - | - | - | 16,284,141 | 15,402,371 |
| Support services | 8,169,682 | - | - | - | 8,169,682 | 8,595,853 |
| Noninstructional services | 578,683 | - | - | 122,208 | 700,891 | 503,718 |
| Facility acquisition, construction, and improvement services | - | - | (21,564) | - | (21,564) | 788,980 |
| Other financing uses | | | | | | |
| Debt service | 2,727,551 | - | - | - | 2,727,551 | 2,546,145 |
| Interfund transfers | 44,883 | - | - | - | 44,883 | 36,082 |
| Total expenditures and other financing uses | 27,804,940 | - | (21,564) | 122,208 | 27,905,584 | 27,873,149 |
| Excess (deficiency) of revenue and other sources over expenditures and other financing uses | (116,744) | - | 68,202 | (817) | (49,359) | (1,412,849) |
| Fund equity, beginning of year | 6,280,211 | - | 1,347,277 | 114,130 | 7,741,618 | 9,023,228 |
| Prior period adjustment | - | - | - | - | - | 131,239 |
| Fund equity, end of year | \$ 6,163,467 | \$ - | \$ 1,415,479 | \$ 113,313 | \$ 7,692,259 | \$ 7,741,618 |

TROY AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

| | Original Budget | Revised Budget | Current Year's Actual | Favorable (Unfavorable) Revised Budget |
|--|---------------------|---------------------|-----------------------------|---|
| Revenues | | | | |
| Local sources | \$ 9,256,418 | \$ 9,256,418 | \$ 9,714,188 | \$ 457,770 |
| State sources | 15,830,967 | 15,830,967 | 16,101,235 | 270,268 |
| Federal sources | 1,627,628 | 1,627,628 | 1,872,773 | 245,145 |
| Total revenue | <u>26,715,013</u> | <u>26,715,013</u> | <u>27,688,196</u> | <u>973,183</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | 10,745,972 | 10,745,972 | 10,868,812 | (122,840) |
| Special programs | 4,096,973 | 4,096,973 | 4,591,398 | (494,425) |
| Vocational education programs | 708,054 | 708,054 | 708,129 | (75) |
| Other instructional programs | 118,226 | 118,226 | 115,802 | 2,424 |
| Total instruction | <u>15,669,225</u> | <u>15,669,225</u> | <u>16,284,141</u> | <u>(614,916)</u> |
| Support Services | | | | |
| Pupil personnel | 976,255 | 976,255 | 900,301 | 75,954 |
| Instructional staff | 905,473 | 905,473 | 1,221,042 | (315,569) |
| Administration | 1,415,756 | 1,415,756 | 1,413,511 | 2,245 |
| Pupil health | 297,737 | 297,737 | 237,896 | 59,841 |
| Business | 387,977 | 387,977 | 393,668 | (5,691) |
| Operation and maintenance | 2,253,534 | 2,253,534 | 2,045,948 | 207,586 |
| Student transportation services | 1,766,915 | 1,766,915 | 1,663,968 | 102,947 |
| Central support services | 351,339 | 351,339 | 293,348 | 57,991 |
| Total support services | <u>8,354,986</u> | <u>8,354,986</u> | <u>8,169,682</u> | <u>185,304</u> |
| Noninstructional services | | | | |
| Student activities | 531,354 | 531,354 | 578,683 | (47,329) |
| Community services | 1,300 | 1,300 | - | 1,300 |
| Total noninstructional services | <u>532,654</u> | <u>532,654</u> | <u>578,683</u> | <u>(46,029)</u> |
| Facilities acquisition, construction and improvement services | | | | |
| | - | - | - | - |
| Other financing uses | | | | |
| Budgetary reserve | 475,000 | 475,000 | - | 475,000 |
| Debt service | 2,621,719 | 2,621,719 | 2,727,551 | (105,832) |
| Interfund transfers | 45,000 | 45,000 | 44,883 | 117 |
| Total other financing uses | <u>3,141,719</u> | <u>3,141,719</u> | <u>2,772,434</u> | <u>369,285</u> |
| Total expenditures and other financing uses | <u>27,698,584</u> | <u>27,698,584</u> | <u>27,804,940</u> | <u>(106,356)</u> |
| Excess (deficiency) of revenue and other sources over expenditures and other financing uses | <u>\$ (983,571)</u> | <u>\$ (983,571)</u> | <u>(116,744)</u> | <u>\$ 866,827</u> |
| Fund equity, beginning of year | | | <u>6,280,211</u> | |
| Fund equity, end of year | | | <u>\$ 6,163,467</u> | |

TROY AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION – PRIVATE PURPOSE TRUST FUND
AS OF JUNE 30,

| | 2022 | 2021 |
|------------------------------------|------------------|------------------|
| Assets | | |
| Cash | \$ 57,945 | \$ 50,638 |
| Total assets | <u>\$ 57,945</u> | <u>\$ 50,638</u> |
| Liabilities | <u>\$ -</u> | <u>\$ -</u> |
| Net position | | |
| Reserved for scholarships | <u>57,945</u> | <u>50,638</u> |
| Total liabilities and net position | <u>\$ 57,945</u> | <u>\$ 50,638</u> |

TROY AREA SCHOOL DISTRICT

**STATEMENTS OF CHANGES IN NET POSITION - PRIVATE PURPOSE TRUST FUND
FOR THE YEARS ENDED JUNE 30,**

| | 2022 | 2021 |
|-----------------------------------|------------------|------------------|
| Additions | | |
| Gifts and contributions | \$ 10,830 | \$ 600 |
| Interest earnings | 227 | 265 |
| Total additions | 11,057 | 865 |
| Deductions | | |
| Scholarships awarded | 3,750 | 1,400 |
| Total deductions | 3,750 | 1,400 |
| Change in net position | 7,307 | (535) |
| Net position - beginning of year | 50,638 | 51,173 |
| Net position - end of year | <u>\$ 57,945</u> | <u>\$ 50,638</u> |

TROY AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30,

| | 2022 | 2021 |
|------------------------------------|-------------|-------------|
| Assets | | |
| Cash and cash equivalents | \$ 378,904 | \$ 185,865 |
| Intergovernmental receivables | 31,633 | 39,539 |
| Other receivables | 2,280 | 85 |
| Due from other funds | 145,748 | 71,967 |
| Inventories | 47,442 | 26,039 |
| Capital assets, net | 51,279 | 56,503 |
| | <hr/> | <hr/> |
| Total assets | \$ 657,286 | \$ 379,998 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities | | |
| Accrued liabilities | \$ 40,094 | \$ 47,208 |
| Unearned revenue | 40,572 | 30,363 |
| Due to other funds | 78,364 | 42,188 |
| | <hr/> | <hr/> |
| Total liabilities | 159,030 | 119,759 |
| | <hr/> | <hr/> |
| Net Position | | |
| Invested in capital assets | 51,279 | 56,503 |
| Unrestricted | 446,977 | 203,736 |
| | <hr/> | <hr/> |
| Total net position | 498,256 | 260,239 |
| | <hr/> | <hr/> |
| Total liabilities and net position | \$ 657,286 | \$ 379,998 |
| | <hr/> <hr/> | <hr/> <hr/> |

TROY AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30,

| | 2022 | 2021 |
|-----------------------------------|-------------------|-------------------|
| Operating revenue | | |
| Food service revenue | \$ 77,290 | \$ 43,225 |
| Operating expenses | | |
| Salaries and benefits | 604,936 | 549,589 |
| Purchased food | 282,506 | 229,709 |
| Supplies | 98,575 | 83,345 |
| Depreciation | 10,047 | 12,120 |
| Other operating expenses | 22,072 | 8,940 |
| Total operating expenses | 1,018,136 | 883,703 |
| Total net operating loss | (940,846) | (840,478) |
| Non-operating revenues | | |
| State sources | 104,675 | 98,192 |
| Federal sources | 1,074,188 | 822,521 |
| Total non-operating revenues | 1,178,863 | 920,713 |
| Change in net position | 238,017 | 80,235 |
| Total net position, beginning | 260,239 | 180,004 |
| Total net position, ending | \$ 498,256 | \$ 260,239 |

**TROY AREA SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30,**

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from users | \$ 75,095 | \$ 43,472 |
| Cash payments to or on behalf of employees for services | (612,050) | (550,175) |
| Cash payments to suppliers for goods and services | (340,248) | (249,153) |
| Cash payments to other funds | (37,605) | (95,377) |
| Net cash used in operating activities | <u>(914,808)</u> | <u>(851,233)</u> |
| Cash flows from non-capital financing activities | | |
| Cash received from State sources | 105,219 | 97,028 |
| Cash received from Federal sources | 1,007,451 | 721,971 |
| Net cash provided by non-capital financing activities | <u>1,112,670</u> | <u>818,999</u> |
| Cash flows from investing activities | | |
| Facilities acquisitions equipment purchases | (4,823) | - |
| Net cash used in investing activities | <u>(4,823)</u> | <u>-</u> |
| Net increase (decrease) in cash | 193,039 | (32,234) |
| Cash and cash equivalents balance, beginning of year | 185,865 | 218,099 |
| Cash and cash equivalents balance, end of year | <u>\$ 378,904</u> | <u>\$ 185,865</u> |
| Reconciliation of net operating loss to net cash used in operating activities | | |
| Net operating loss | \$ (940,846) | \$ (840,478) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | |
| Depreciation | 10,047 | 12,120 |
| Donated commodities | 74,099 | 72,298 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in other receivables | (2,195) | 247 |
| (Increase) decrease in inventory | (21,403) | 13,763 |
| Decrease in accounts payable | - | (33) |
| Increase (decrease) in accrued liabilities | (6,649) | 1,539 |
| Increase (decrease) in unearned revenue | 10,209 | (13,187) |
| Decrease in due to other funds | (37,605) | (95,377) |
| Decrease in other current liabilities | (465) | (2,125) |
| Net cash used in operating activities | <u>\$ (914,808)</u> | <u>\$ (851,233)</u> |
| Supplemental Schedule of Non-Cash Activities | | |
| Activities not affecting cash flows are as follows: | | |
| Surplus food | \$ 74,099 | \$ 72,298 |
| Total non-cash activity | <u>\$ 74,099</u> | <u>\$ 72,298</u> |

TROY AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

| | | |
|--|---------------------|-----------------------|
| Total fund balances - governmental funds | | \$ 7,692,259 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:</p> | | |
| Cost of the assets | \$ 60,276,110 | |
| Accumulated depreciation | <u>(20,197,949)</u> | 40,078,161 |
| <p>Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.</p> | | |
| | | 437,442 |
| <p>Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p> | | |
| | | (251,698) |
| <p>Net deferred inflows and outflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, pensions expense is based on required contributions.</p> | | |
| | | 272,441 |
| <p>Net deferred inflows and outflows of resources related to OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the government funds, OPEB expense is based on required benefits paid.</p> | | |
| | | 1,476,844 |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:</p> | | |
| Bonds payable | (23,179,328) | |
| Net pension liability | (28,945,000) | |
| Other post employment benefits | (7,118,578) | |
| Compensated absences | <u>(114,749)</u> | <u>(59,357,655)</u> |
| Total net position (deficit) - governmental activities | | <u>\$ (9,652,206)</u> |

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Net Position |
|--|--------------------------------|--|---|---|---------------------------------|
| Assets | | | | | |
| Cash | \$ 7,017,120 | \$ - | \$ - | \$ - | \$ 7,017,120 |
| Taxes receivable | 757,326 | - | - | - | 757,326 |
| Intergovernmental receivable | 2,962,669 | - | - | - | 2,962,669 |
| Due from other funds | 143,521 | - | - | (143,521) | - |
| Other receivables | 35,225 | - | - | - | 35,225 |
| Prepaid expenses | 213,992 | - | - | - | 213,992 |
| Capital assets, net | - | 40,078,161 | - | - | 40,078,161 |
| Total assets | 11,129,853 | 40,078,161 | - | (143,521) | 51,064,493 |
| Deferred Outflows of Resources | | | | | |
| Deferred outflows related to pensions | - | 5,380,441 | - | - | 5,380,441 |
| Deferred outflows related to OPEB | - | 2,335,437 | - | - | 2,335,437 |
| Total assets and deferred outflows of resources | \$ 11,129,853 | \$ 47,794,039 | \$ - | \$ (143,521) | \$ 58,780,371 |
| Liabilities, Deferred Inflows of Resources and Fund Equity/Net Position (Deficit) | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 506,477 | \$ - | \$ - | \$ - | \$ 506,477 |
| Accrued liabilities | 2,244,375 | - | - | - | 2,244,375 |
| Accrued interest | - | - | 251,698 | - | 251,698 |
| Due to other funds | 210,905 | - | - | (143,521) | 67,384 |
| Unearned revenue | 38,395 | - | - | - | 38,395 |
| Bonds payable | - | - | 23,179,328 | - | 23,179,328 |
| Net pension liability | - | - | 28,945,000 | - | 28,945,000 |
| Compensated absences | - | - | 114,749 | - | 114,749 |
| Other post employment benefits | - | - | 7,118,578 | - | 7,118,578 |
| Total liabilities | 3,000,152 | - | 59,609,353 | (143,521) | 62,465,984 |
| Deferred Inflows of Resources | | | | | |
| Deferred inflows related to pensions | - | - | 5,108,000 | - | 5,108,000 |
| Deferred inflows related to OPEB | - | - | 858,593 | - | 858,593 |
| Deferred inflows - delinquent real estate taxes | 437,442 | - | (437,442) | - | - |
| Total deferred inflows of resources | 437,442 | - | 5,529,151 | - | 5,966,593 |
| Fund Equity & Net Position (Deficit) | 7,692,259 | 47,794,039 | (65,138,504) | - | (9,652,206) |
| Total liabilities, deferred inflows of resources and fund equity/net position (deficit) | \$ 11,129,853 | \$ 47,794,039 | \$ - | \$ (143,521) | \$ 58,780,371 |

TROY AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds \$ (49,359)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 696,862 | |
| Depreciation expense | <u>(1,071,053)</u> | (374,191) |

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenue in the governmental funds. In the statement of activities amounts are recognized as revenue as they are considered earned. Deferred inflows of resources changed by this amount during the year. (31,154)

Repayment of bond principal and leases (including refund of debt) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,875,832

District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's contribution to pension plan. 1,605,066

District's proportionate share of OPEB expense and net amortization of deferred amounts are recorded in the statement of activities, whereas in the governmental funds, OPEB expense is based on the District's benefit payments to OPEB plans. (341,597)

Interest on long-term debt 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, however, interest expense is recognized as the interest accrues, regardless of when it is due. In addition, premiums/discounts on bonds are recorded as revenue/expenditures in the governmental funds, whereas in the statement of activities, premiums/discounts are amortized into interest expense. 143,526

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 9,827

Change in net position of governmental activities \$ 2,837,950

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Activities Totals |
|---|--------------------------------|--|---|---|--------------------------------------|
| Revenue | | | | | |
| Real property taxes | \$ 7,614,071 | \$ (31,154) | \$ - | \$ - | \$ 7,582,917 |
| Other taxes levied | 1,402,448 | - | - | - | 1,402,448 |
| Interest and earnings | 21,319 | - | - | - | 21,319 |
| Other local sources | 799,496 | - | - | (453,898) | 345,598 |
| State sources | 16,101,235 | - | - | (6,205,419) | 9,895,816 |
| Federal sources | 1,872,773 | - | - | (1,872,343) | 430 |
| Total revenue | 27,811,342 | (31,154) | - | (8,531,660) | 19,248,528 |
| Expenditures | | | | | |
| Instruction | 16,284,141 | 653,221 | (950,197) | (5,188,049) | 10,799,116 |
| Instructional student support | 2,359,239 | (303,034) | (91,629) | (688,530) | 1,276,046 |
| Administrative and financial support services | 1,807,179 | 77,071 | (109,740) | (231,442) | 1,543,068 |
| Operation and maintenance of plant services | 2,024,384 | (43,563) | 27,360 | (62,910) | 1,945,271 |
| Pupil transportation | 1,663,968 | (10,317) | (98,788) | (1,295,874) | 258,989 |
| Central support | 293,348 | 12,510 | (20,410) | (91,500) | 193,948 |
| Student activities | 700,891 | (11,697) | (29,892) | (83,178) | 576,124 |
| Debt service | 2,727,551 | - | (2,019,358) | (890,177) | (181,984) |
| Total expenditures | 27,860,701 | 374,191 | (3,292,654) | (8,531,660) | 16,410,578 |
| Excess (deficiency) of revenue over expenditures | (49,359) | (405,345) | 3,292,654 | - | 2,837,950 |
| Other sources and uses | | | | | |
| Operating transfers in | 44,883 | - | - | (44,883) | - |
| Operating transfers out | (44,883) | - | - | 44,883 | - |
| Total other sources (uses) | - | - | - | - | - |
| Net change for year | \$ (49,359) | \$ (405,345) | \$ 3,292,654 | \$ - | \$ 2,837,950 |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The *Troy Area School District* is governed by the Education Law and other general laws of the State of Pennsylvania. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by or significantly influenced by, the Board of Education. Essentially, the primary function of the School District is to provide education for pupils. Support services such as transportation of pupils, administration, finance and plant maintenance are also included. The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

B. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state subsidy, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants. Business-type activities include the District's food service operation which is financed through sales and reimbursements of breakfasts and lunches.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

a. Governmental Fund Types

Governmental funds are those funds used to account for and report the operations of the School District. The acquisition, use, and balances of financial resources and related assets and liabilities and deferred inflows and outflows are reported therein. The measurement focus is the determination of changes in financial position rather than net income determination. The following funds and aggregate governmental fund types are employed in accounting for and reporting School District operations. The District reports the following major governmental funds:

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

Capital Projects Funds - The Capital Projects Funds are used to account for and report financial resources to be used for the acquisition or construction or renovation of major capital facilities or equipment. These projects are approved by the Pennsylvania Department of Education and a portion of the costs will be reimbursed with state subsidy in future years.

Capital Reserve Funds - The Capital Reserve Funds are used to account for the proceeds of specific sources that are restricted to expenditures for capital purposes.

Special Revenue - is used to account for and report those revenues that are committed to expenditures for extraclassroom activity funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

b. Proprietary Fund Types

Proprietary Fund Types are used to account and report activities that are similar to business operations in the private sector where the focus is on determining net income and cash flows. Proprietary Fund Types include the following fund:

Food Service Fund - Accounts for all revenue and expenses pertaining to cafeteria operations.

c. Fiduciary Fund Types

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are not included in the District-wide financial statements because their resources do not belong to the District, and are not available to be used. The District has private purpose trust funds (scholarships) that qualify for reporting as a fiduciary.

C. Measurement Focus and Basis of Accounting

The district-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgeting Policies - Governmental Fund Types

1. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is for the School District administration to culminate a proposed budget for approval by the Board of Education prior to commencement of a new fiscal year. Appropriations established by adoption of the budget constitute a limitation on expenditures which may be incurred.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as a reservation of fund equity since such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

E. Local Taxes

Real property taxes are levied annually by the Board of Education and received by tax collectors by December 31. Uncollected real property taxes are subsequently enforced by Bradford County. An amount representing uncollected real property taxes transmitted to the County for re-levy is recorded as deferred inflows of resources in the governmental fund financial statements until collected by the County.

TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Local Taxes (continued)

Per capita, earned income and realty transfer taxes are levied annually by the Board of Education. Uncollected per capita and occupation taxes are subsequently enforced by GH Harris, while uncollected earned income taxes are enforced by Berkheimer, who are third-party tax collector agencies.

F. Inventory

Inventories of food in the Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market.

G. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to September 30, 2002. For assets acquired prior to September 30, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------|---------------------------------|----------------------------|------------------------------|
| Buildings | \$ 1,500 | Straight-line | 20-50 years |
| Land improvements | \$ 1,500 | Straight-line | 20 years |
| Furniture and equipment | \$ 1,500 | Straight-line | 5-20 years |
| Transportation vehicles | \$ 1,500 | Straight-line | 8 years |

H. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Inflows and Outflows of Resources (continued)

The second is the District contributions to the pension system and benefits paid to OPEB plans subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the actuarial differences that are deferred and amortized.

I. Long-Term Debt

1. General Long-Term Indebtedness

Bonds and general obligation notes and capital leases are recognized when issued.

2. Compensated Absences

The District provides compensated absences benefits for all employees which ranges from \$15-\$50 per sick and personal day for all employees other than support staff and is paid only upon retirement as long as the employee has 10 years of service with the District. The maximum number of unused sick days that is paid for professional personnel is 50 days for personal time and 145 days for sick time. Support staff accrue \$0-\$35 a day for unused sick and personal time and is payable upon retirement or upon separation from service as described in the collective bargaining agreement. The maximum number of unused sick days that is paid for support staff is 50 days for personal time and 100 days for sick time. In the district-wide Statement of Net Position as of June 30, 2022, \$114,749 was accrued for compensated absences.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Debt (continued)

3. Retirement Incentive Payable

The District has offered retirement incentives under several separate collective bargaining agreements which are more thoroughly discussed subsequently in these notes.

4. Vacation Payable

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave are accrued in the district-wide financial statements.

J. Pensions

Plan description

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value. The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.gov.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions (continued)

Benefits provided (continued)

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service to attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pensions (continued)

Contributions (continued)

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

School employees who first became an active member of PSERS on or after July 1, 2019 are automatically enrolled as a Class T-G member. Class T-G provides a hybrid retirement that has both a Defined Benefit (DB) and a Defined Contribution (DC) component for your retirement benefit. Once enrolled, employees have an election period to decide if they would like to remain Class T-G or elect another hybrid membership class with different contribution rates (Class T-H) or a defined contribution only membership class (Class DC).

Employer contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.94% (33.99% for pension, .80% for health care contributions, and .15% for Act 5 defined contribution) of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were approximately \$3,432,000 for the year ended June 30, 2022.

K. Other Postemployment Benefits

Plan Descriptions

The Troy Area School District has two separate other post-employment benefit plans that are provided to District employees and retirees which include a District Plan based on bargaining agreements and the Health Insurance Premium Assistance Program offered through the Pennsylvania Public School Employees' Retirement System.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Other Postemployment Benefits (continued)

District Plan

General Information

The District maintains a single-employer defined benefit healthcare plan (the District Plan). The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The District Plan does not issue a publicly available financial report. Eligibility for the District Plan is established by the District and specified in the District's employment contracts. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan is determined on the basis of an actuarial valuation dated July 1, 2020.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2021 the plan had total active employees of 186 and retirees of 20.

Health Insurance Premium Assistance Program

General Information

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

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

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out of pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Other Postemployment Benefits (continued)

Health Insurance Premium Assistance Program (continued)

Premium Assistance Eligibility Criteria

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

- Have 24 ½ years 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 new bullet point Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

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

Benefits provided

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

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$82,000 for the year ended June 30, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed or assigned). The nonspendable fund balance as of June 30, 2022 totaled \$213,992.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. The District's restricted reserves are as follows:

1. Capital Projects Reserve

This reserve is used to accumulate funds to finance future costs to be used for the acquisition or construction or renovation of major capital facilities or equipment.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District's committed reserves are as follows:

1. Board Designated Fund Balance

The District's Board of Education established and funded a reserve for future health insurance, retirement costs, and technology. Designation of unreserved fund equity in governmental funds indicates that utilization of these resources in the ensuing year's budget or tentative plans for future use. The general fund committed balance as of June 30, 2022 totaled \$2,912,135.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

1. Governmental Funds (continued)

C. Committed (Continued)

2. Extraclassroom Activities Fund Equity

This fund equity is designated as committed as it can be used only for extraclassroom activities purposes.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer have been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. Reserve for encumbrances as of June 30, 2022 totaled \$-.

2. Appropriated Fund Balance

General Fund - The amount of \$1,364,250 has been designated as the amount for the capital flooring project and roof replacement project.

3. Appropriated Subsequent Year's Budget

General Fund - The amount of \$76,646 had been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2023.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide Financial Statements

A. Net investment in Capital Assets

This designation of Net Position is used to accumulate the capital asset balance in the Statement of Net Position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (continued)

2. Government-wide Financial Statements (continued)

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents Net Position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

M. Interfund Activity

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Interfund Activity (continued)

During the course of operations, the *Troy Area School District* has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. Eliminations have been also made for amounts transferred to and from the same fund type.

N. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenditures/expenses.

O. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered as cash equivalents. This includes certificates of deposit, treasury notes and treasury bills.

P. Investments

Investments are carried at market value.

Q. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

R. New Accounting Pronouncement

Effective July 1, 2021, the District implemented the provisions of GASB Statement No. 87, Leases, which establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset, thereby eliminating the distinction between operating and capital leases. As a result substantially all leases are reported on the district-wide statement of net position.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

Total fund equity of the District's governmental funds differs from "Net Position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories, which are summarized below.

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "measurable" and "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (CONTINUED)**

**B. Statement of Revenues, Expenditures and
Changes in Fund Equity vs. Statement of
Activities (continued)**

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences

Pension differences occur as a result of changes in the District's proportion of collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

5. OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

NOTE 3 - CASH

A. Deposits

The School District invests excess funds with banks or trust companies authorized to do business in Pennsylvania. During the year ended June 30, 2022, the School District's investments included interest bearing checking accounts (including money market type investments), certificates of deposit and U.S. Government notes and bills. These consist of permissible investments in obligations of the U.S. Treasury and U.S. Agencies or certificates of deposit, which are fully insured or collateralized as provided by Pennsylvania law. All funds were held by commercial banks and trust companies as authorized by the Board of Education.

The District's cash and investments are required to be secured (for funds in excess of the FDIC insurance limitation of \$250,000) by a pledge of governmental securities having a market value at least equal to the amount on deposit. The banks use the pooling method to pledge securities for all public funds that are on deposit. This method allows the depository to pledge securities in one lump sum that covers all public funds on deposit at the bank.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, State statutes govern the District's investment policies. At June 30, 2022, the District's bank deposits were fully collateralized.

NOTE 3 - CASH (CONTINUED)

Total financial institution balances at June 30, 2022, per the bank, were approximately \$7,752,000 of which \$500,000 was secured by FDIC insurance and \$7,252,000 was secured by the banks as required by Act 72 of 1971.

NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

| | Beginning Balance 06/30/21 | Net Change | Ending Balance 06/30/22 |
|--|----------------------------------|---------------------------------------|-------------------------------|
| Governmental activities: | | | |
| Capital assets: | | | |
| Land and land improvements | \$ 6,734,160 | \$ 2,351 | \$ 6,736,511 |
| Buildings and improvements | 48,828,072 | (5,295) | 48,822,777 |
| Construction-in-progress | - | 23,725 | 23,725 |
| Furniture, equipment and vehicles | 4,017,016 | 676,081 | 4,693,097 |
| Total historical cost | <u>59,579,248</u> | <u>\$ 696,862</u> | <u>60,276,110</u> |
| Accumulated depreciation: | | | |
| Land and land improvements | 3,561,920 | \$ 92,220 | 3,654,140 |
| Building improvements | 12,412,055 | 714,689 | 13,126,744 |
| Furniture, equipment and vehicles | <u>3,152,921</u> | <u>264,144</u> | <u>3,417,065</u> |
| Less accumulated depreciation: | <u>19,126,896</u> | <u>\$ 1,071,053</u> | <u>20,197,949</u> |
| Total net book value | <u>\$40,452,352</u> | | <u>\$40,078,161</u> |
| Proprietary/business-type activities: | | | |
| Building improvements, furniture and Equipment | \$ 350,833 | <u>\$ 4,823</u> | \$ 355,656 |
| Less accumulated depreciation: | <u>294,330</u> | <u>\$ 10,047</u> | <u>304,377</u> |
| Total net book value | <u>\$ 56,503</u> | | <u>\$ 51,279</u> |
| | <u>Governmental</u> | <u>Proprietary/ Business-type</u> | |
| Depreciation expense: | | | |
| Instruction | \$ 694,474 | \$ - | |
| Support services | 346,688 | - | |
| Non-instructional services | <u>29,891</u> | <u>10,047</u> | |
| | <u>\$ 1,071,053</u> | <u>\$ 10,047</u> | |

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 5 - INDEBTEDNESS

A. Short-Term Debt

1. Tax and Revenue Anticipation Notes

The District did not issue any tax or revenue anticipation notes during the current fiscal year.

2. Short-Term Debt Interest

The District had no short-term interest during the fiscal year ended June 30, 2022.

B. Long-Term Debt

1. Bonds Payable

The following is a description of the terms of the long-term bonds issued, and reported here under the terms of the financing agreement, in connection with the construction of the school building projects:

| | <u>Amount Outstanding</u> |
|--|-------------------------------|
| 2015 Series refunding with maturity date of 3/1/2030, bonds carry interest from 0.40%-5.00%. | \$ 13,890,000 |
| Plus: unamortized premium | 566,269 |
| Less: debt defeasance | <u>(117,231)</u> |
| | <u>14,339,038</u> |
| 2019 Series refunding with maturity date of 9/15/32, bonds carry interest from 2.375%-3.00%. | 8,920,000 |
| Less: unamortized discount | <u>(79,710)</u> |
| | <u>8,840,290</u> |
| Totals | <u>\$ 23,179,328</u> |

NOTE 5 - INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

2. Summary of Long-Term Debt

The following is a summary of long-term liabilities outstanding at June 30, 2022:

| <u>Description</u> | <u>Balance June 30, 2022</u> | <u>Amounts Due Within One Year</u> | <u>Balance June 30, 2021</u> |
|--------------------------------|--------------------------------------|--|--------------------------------------|
| 2015 Series Bonds | \$ 14,339,038 | \$ 1,705,000 | \$ 16,103,006 |
| 2019 Series Bonds | 8,840,290 | 135,000 | 8,966,276 |
| Lease liability | - | - | 105,832 |
| Net Pension Liability | 28,945,000 | - | 34,812,000 |
| Compensated Absences | 114,749 | - | 124,576 |
| Other Post-Employment Benefits | <u>7,118,578</u> | <u>-</u> | <u>6,892,071</u> |
| | <u>\$ 59,357,655</u> | <u>\$ 1,840,000</u> | <u>\$67,003,761</u> |

3. Changes

The District made principal payments on its series bonds in the amount of \$1,770,000. The total change in the unamortized premiums/discounts was a decrease of \$119,954. During the current year the District paid off its lease that was entered into during the 2020-21 fiscal year. The net change in compensated absences was a decrease of \$9,827 during the fiscal year ended June 30, 2022. During the current year, other post-employment benefits liability increased in the amount of \$226,507 related to actuarial updates. Lastly, the District's proportionate share of the PSERS net pension liability decreased by \$5,867,000 during the current year as a result of an actuarial update.

4. Long-Term Debt Interest

Interest expense for the year ended June 30, 2022 amounted to approximately \$852,000 which related to the serial bonds and is recorded in the General Fund.

NOTE 5 - INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

5. Maturity

A five-year summary of principal and interest payments on the District's series bonds is as follows:

| <u>June 30,</u> | <u>Series Bonds – Series 2015</u> | |
|-----------------|-----------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 1,705,000 | \$ 547,631 |
| 2024 | 1,770,000 | 479,431 |
| 2025 | 1,855,000 | 390,931 |
| 2026 | 1,955,000 | 298,181 |
| 2027 | 2,030,000 | 219,981 |
| 2028-2030 | 4,575,000 | 250,894 |
| | <u>\$ 13,890,000</u> | <u>\$ 2,187,049</u> |

| <u>June 30,</u> | <u>Series Bonds – Series 2019</u> | |
|-----------------|-----------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 135,000 | \$ 234,638 |
| 2024 | 145,000 | 230,438 |
| 2025 | 150,000 | 226,013 |
| 2026 | 215,000 | 220,538 |
| 2027 | 220,000 | 214,013 |
| 2028-2032 | 6,220,000 | 778,438 |
| 2033 | 1,835,000 | 25,231 |
| | <u>\$ 8,920,000</u> | <u>\$ 1,929,309</u> |

6. Debt Issuance Costs, Bond Premiums, Discounts, and Amortization

Debt issuance costs resulting from bond and other debt refinancing are expensed in the year they were incurred.

Bond premiums earned and bond discounts resulting from bond and other debt refinancing are being amortized over the life of the related debt using the interest method. These premiums and discounts are deferred and added to or subtracted from the outstanding principal balances for the bonds.

NOTE 5 - INDEBTEDNESS (CONTINUED)

B. Long-Term Debt (continued)

7. Refunding of Long-Term Debt

In prior year, the District defeased certain serial bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of old bonds. Accordingly, the trust accounts assets and liabilities of the defeased bonds are not included on the District's financial statements.

8. Lease Liability

On February 15, 2021, the District entered into a lease purchase agreement with Apple Financial Services. This agreement is related to Apple computer equipment. The total cost of equipment is \$133,282. The agreement carried an average interest rate of 1.49% and had a maturity date of February 15, 2025. During the current year, the District paid off the remaining principal balance of the lease in the amount of \$105,832.

NOTE 6 - CONTINGENCIES AND COMMITMENTS

A. Federal and State Grants

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

B. Litigation

The School District, in the normal course of its operations, is involved in various litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position.

C. Self-Insurance

The School District is a participant in a multiple employer cost-sharing trust established for the purpose of self-insuring hospitalization expenses. The trust makes monthly premium payments to its program administrator who pays claims submitted. Monthly premiums are based on claims paid experience provided by the administrator, plus a premium stabilization amount. On a yearly basis, the administrator reconciles claims paid against premiums received.

D. Risk Financing and Related Insurance

1. General Information

The *Troy Area School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Risk Sharing Pools

For its employee health and accident coverage, *Troy Area School District* is a participant in a Northern Tier Insurance Consortium, a public entity risk pool operated for the benefit of individual governmental units located within the BLaST Intermediate Unit 17. The School District pays monthly premiums to the Plan for this health coverage.

The Plan provides health coverage for its members and all claims are paid from the total premiums contributed by the members of the consortium. Excess claims over premiums are funded from a stabilization fund held by the Northern Tier Insurance

**NOTE 6 - CONTINGENCIES AND COMMITMENTS
(CONTINUED)**

D. Risk Financing and Related Insurance (continued)

3. Risk Sharing Pools (continued)

Consortium operated out of the Blast IU 17 office, while premiums in excess of the claims are refunded to the Insurance Trust.

For its workers compensation insurance, *Troy Area School District* is a participant in the Pennsylvania Insurance Consortium for Schools, a public entity risk pool operated for the benefit of school districts located throughout the State of Pennsylvania.

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances as of June 30, 2022 and interfund revenue and expenditures for the year ended June 30, 2022 were:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|----------------------|---------------------------------|------------------------------|
| General Fund | \$ 78,444 | \$ 210,905 |
| Capital Reserve Fund | 64,743 | - |
| Food Service Fund | 145,748 | 78,364 |
| Special Revenue Fund | 334 | - |
| | <u>\$ 289,269</u> | <u>\$ 289,269</u> |

During the year ended June 30, 2022, the District had an interfund transfer from the general fund to the capital reserve fund of which was related to gas lease proceeds and a donation received for capital purposes of \$44,483.

NOTE 8 - RETIREMENT PLAN

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

At June 30, 2022, the District reported a liability of \$28,945,000 for its proportionate share of the net pension liability. The net pension liability as of the June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .0705%, which was a decrease of .0002% from its proportion measured as of June 30, 2021.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 8 - RETIREMENT PLAN (CONTINUED)

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

For the year ended June 30, 2022, the District recognized pension expense of approximately \$1,767,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Net difference between projected and actual investment earnings | \$ - | \$ 4,608,000 |
| Changes of assumptions | 1,404,000 | - |
| Difference between expected and actual experience | 21,000 | 380,000 |
| Changes in proportions | 236,000 | 120,000 |
| Contributions subsequent to the measurement date | 3,719,441 | - |
| | <u>\$ 5,380,441</u> | <u>\$ 5,108,000</u> |

\$3,719,441 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the System's net pension liability in the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending June 30: | |
|----------------------|-----------------------|
| 2023 | \$ (763,000) |
| 2024 | (610,000) |
| 2025 | (584,000) |
| 2026 | (1,489,000) |
| | <u>\$ (3,446,000)</u> |

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7%, includes inflation at 2.5%.
- Salary increases – Effective average of 4.5%, comprised of inflation of 2.5% and 2% for real wage growth and for merit of seniority increases.

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued)

- 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.

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2020 actuarial valuation:

- Salary growth rate decreased from 5% to 4.5%
- Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.5% and 2.0%, respectively,
- Mortality rates previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) that the current rate:

| | 1% Decrease 6% | Current Discount Rate 7% | 1% Increase 8% |
|---|-------------------------------|---|-------------------------------|
| District's proportionate share of the net pension liability | <u>\$37,991,000</u> | <u>\$28,945,000</u> | <u>\$21,314,000</u> |

System Net Pension Liability

The components of the total PSERS net pension liability as of June 30, 2021 are as follows:

| | (Dollar Amounts in Thousands) |
|--|----------------------------------|
| Total pension liability | \$ 113,024,082 |
| Less: System fiduciary net position | 71,967,352 |
| System net pension liability | <u>\$ 41,056,730</u> |
| System fiduciary net position as a percentage of total pension liability | 63.67% |

Pension Plan Fiduciary Net Position

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

NOTE 9 - OTHER POST-EMPLOYMENT BENEFIT PLANS

District Plan

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

At June 30, 2022, the District reported a liability of \$5,446,578. The net OPEB liability was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$572,348. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Net difference between projected and actual investment earnings | \$ 1,306,344 | \$ - |
| Changes of assumptions | 467,934 | 218,682 |
| Difference between expected and actual experience | - | 578,911 |
| Contributions subsequent to the measurement date | 243,658 | - |
| | <u>\$ 2,017,936</u> | <u>\$ 797,593</u> |

\$243,658 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending June 30: | |
|-----------------------------|-------------------|
| 2023 | \$ 77,523 |
| 2024 | 77,523 |
| 2025 | 77,523 |
| 2026 | 77,523 |
| 2027 | 77,523 |
| Thereafter | <u>589,070</u> |
| Net deferred inflow/outflow | <u>\$ 976,685</u> |

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

District Plan (continued)

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.28% - Based on S&P Municipal Bond 20 Year High Grade Index.
- Salary growth – composed of a 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increase which varies by age from 0%-2.75%.
- Assumed Healthcare cost trends of 5.5% in 2021 through 2023, Rates decrease from 5.4% in 2024 to 4% in 2075%.
- Mortality rates were similar rates assumed in the PSERS defined benefit pension plan actuarial valuation, projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

| | |
|---|---------------------|
| Service cost | \$ 390,358 |
| Interest | 104,467 |
| Difference between expected and actual experience | - |
| Changes in assumptions | (159,361) |
| Benefit payments | <u>(250,957)</u> |
| Net changes | 84,507 |
| Net OPEB liability – beginning of year | 5,362,071 |
| Net OPEB liability – end of year | <u>\$ 5,446,578</u> |

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

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

| | 1% Decrease | Current Assumption | 1% Increase |
|------------------------------------|--------------------|-----------------------|--------------------|
| Total District Plan OPEB liability | <u>\$4,928,956</u> | <u>\$5,446,578</u> | <u>\$5,961,045</u> |

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

District Plan (continued)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease 1.28% | Current Assumption 2.28% | 1% Increase 3.28% |
|------------------------------------|-------------------------|--------------------------------|-------------------------|
| Total District Plan OPEB liability | <u>\$5,830,034</u> | <u>\$5,446,578</u> | <u>\$5,078,264</u> |

Health Insurance Premium Assistance Program

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

At June 30, 2022, the District reported a liability of \$1,672,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .0705% percent, which was a decrease of .0002% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$93,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 16,000 | \$ - |
| Net difference between projected and actual earnings | 3,000 | - |
| Changes in proportion | 33,000 | 39,000 |
| Changes in assumptions | 178,000 | 22,000 |
| Contributions subsequent to the measurement date | <u>87,501</u> | <u>-</u> |
| | <u>\$ 317,501</u> | <u>\$ 61,000</u> |

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

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

\$87,501 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | | |
|-----------------------------|----|----------------|
| Year ending: | | |
| 2023 | \$ | 19,000 |
| 2024 | | 19,000 |
| 2025 | | 46,000 |
| 2026 | | 37,000 |
| 2027 | | 26,000 |
| Thereafter | | <u>22,000</u> |
| Net deferred inflow/outflow | \$ | <u>169,000</u> |

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.5% and 2% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

| OPEB - Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|-------------------|--|
| Cash | 79.8% | 0.1% |
| US Core Fixed income | 17.5% | 0.7%) |
| Non-US Developed Fixed | <u>2.7%</u> | (0.3%) |
| | <u>100%</u> | |

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

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

Discount rate

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

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

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

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Health Insurance Premium Assistance Program (continued)

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

| | 1% Decrease | Current Assumption | 1% Increase |
|--|----------------|-----------------------|----------------|
| Total Health Insurance Premium Assistance OPEB liability | \$1,672,000 | \$1,672,000 | \$1,672,000 |

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease | Current Assumption | 1% Increase |
|--|----------------|-----------------------|----------------|
| Total Health Insurance Premium Assistance OPEB liability | \$1,919,000 | \$1,672,000 | \$1,469,000 |

System Net OPEB Liability

The components of the total net OPEB liability as of June 30, 2021 are as follows:

| | (Dollar Amounts in Thousands) |
|-------------------------------------|----------------------------------|
| Total OPEB liability | \$ 2,502,598 |
| Less: System fiduciary net position | 132,515 |
| System net OPEB liability | <u>\$ 2,370,083</u> |

| | |
|---|-------------|
| System fiduciary net position as a percentage of total OPEB liability | <u>5.3%</u> |
|---|-------------|

OPEB Plan Fiduciary Net Position

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

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 10 - RECEIVABLES

Taxes Receivable

Taxes receivable amounted to \$816,464 at June 30, 2022 and consist of the estimated delinquent real property taxes, delinquent per capita taxes, delinquent occupation taxes and delinquent earned income taxes levied by the District but uncollected during the last three years. The taxes are ultimately collectible either by payment from the property owner or from the proceeds of a public sale of the levied property. The District recorded a \$59,138 reserve for potential uncollectible delinquent real estate taxes on the governmental and district-wide financial statements.

Intergovernmental Receivable

Included in the intergovernmental receivable balance of \$2,962,669 in the General Fund and \$31,633 in the Food Service Fund as of June 30, 2022 are amounts due from grant receivables from the Federal and State governments, the Commonwealth of Pennsylvania Department of Education for reimbursement of social security, retirement and other state subsidy, tuition receivable from various local school districts and amounts due from the BLAST Intermediate Unit 17.

NOTE 11 – UNEARNED REVENUE

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Unearned revenue is also related to donated commodities received by the District which is included as inventory at year-end and is recorded in the business-type funds.

As of June 30, 2022, the District had \$38,395 relating to grants received that were unexpended in the general fund and \$40,572 in the business-type funds of which \$31,328 related to donated commodity inventory and \$9,244 was related to prepayments on meals.

NOTE 12 – DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Balance Sheet will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflow of resources, represents an acquisition of revenue by the District that is applicable to a future reporting period. The District has one item that qualifies for reporting in this category, Delinquent Real Estate Taxes. Although this revenue source is measured and earned at year-end, it is not available to pay current expenditures and therefore is classified as deferred inflow of resources.

**NOTE 12 – DEFERRED INFLOWS OF RESOURCES
(CONTINUED)**

Deferred inflows of resources in the General Fund amounted to \$437,442 as of June 30, 2022, pertains to taxes receivable at the end of the fiscal year less amounts collected within sixty days subsequent to the year-end.

NOTE 13 - COMPENSATED ABSENCES

The District does not accrue a liability in the governmental funds for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value of accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$280,000 at June 30, 2022 for accumulating, non-vesting sick leave.

In the district-wide statements, as of June 30, 2022, \$114,749 was accrued for accumulating, vesting sick leave and longevity payments.

NOTE 14 - RETIREMENT INCENTIVES

The Board of Education approved certain contracts to permit employees who retire from the District before reaching the age of 65, and who are receiving retirement payments from the Public School Employees' Retirement System to continue to participate in the District's medical and dental group plan from the time of retirement until they reach the age of 65. Upon retirement employees covered within the Troy Area Education Association collective bargaining unit who choose to continue medical and dental insurance coverage through the district are eligible for a monetary credit in the amount equal the one and one-half of the retiring professional's highest year's salary that has been earned by the employee while on the Troy Area School District Professional Salary scale. The monetary credit shall be used to purchase health insurance for the employee only. Retired employees may purchase health insurance for an eligible spouse or dependent at the current premium rates. When the monetary credit is exhausted, the insured employee will be required to pay the then current premiums or to drop coverage. Retired employees within the Troy Area Educational Support Personnel Association are not eligible for a monetary credit but can purchase medical and dental insurance coverage at the current premiums. A retiree's cost of group insurance is calculated by the plan administrator and is based on projected expenditure for the year plus a 2% administrative fee. Continued participation in the group plan under this policy is contingent upon full payment of premiums due prior to the 25th day of each month for the next month's coverage. Currently there are 20 participants receiving benefits. These expenses are included in the GASB 75 calculation.

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 15 – CAPITAL RESERVE

The District has established a Capital Reserve Fund which is available to fund various capital projects, including the purchase, replacement and maintenance of capital assets of the District. The reserve has been funding through transfers from the General Fund which are approved by the Board of Education.

The following schedule details the activity in the capital reserve during the fiscal years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Balance Fund Equity at July 1, | \$1,347,277 | \$1,344,470 |
| Transfer from General Fund | 44,883 | 36,026 |
| Interest earned | 1,755 | 2,421 |
| Other income | 40,000 | - |
| Ventilation system | | (13,297) |
| Track and field | (4,909) | (7,963) |
| WRC playground | - | (14,380) |
| Commons building | (13,527) | (22,500) |
| Ending Total Fund Equity as of June 30, | <u>\$1,415,479</u> | <u>\$1,347,277</u> |

NOTE 16 - RELATED PARTY

The School District is one of various school districts of the Northern Tier Career Center A/K/A Bradford County Area Vocational-Technical School Authority (the Center). The Center is controlled and governed by a Board which is composed of school board members of the member school districts. Direct oversight of The Center's operation is the responsibility of the Board. The School District's share of annual operating and capital costs for The Center fluctuates based on a percentage enrollment in the school. BLaST Intermediate Unit 17 provides several services to the School District. These services include special education, hospitalization, a local area network, staff development and enrichment services.

NOTE 16 - RELATED PARTY (CONTINUED)

During the fiscal year ended June 30, 2011, the Center issued long-term debt to finance a building-improvement project. The bond was refinanced during the year ended June 30, 2020. *Troy Area School District*, along with the component school districts, are committed to pay its allocated portion of the future long-term debt. During the fiscal year ended June 30, 2022, the District incurred principal and interest costs in the amount of \$96,942 and \$11,294 respectively, related to its share of long-term debt issued by the Center for the building improvements project.

Below is a schedule of District's future payments towards the capital project.

| <u>June 30,</u> | | <u>Principal</u> | | <u>Interest</u> |
|-----------------|----|------------------|----|-----------------|
| 2023 | \$ | 99,358 | \$ | 8,582 |
| 2024 | | 102,378 | | 5,803 |
| 2025 | | <u>105,096</u> | | <u>2,940</u> |
| | \$ | <u>306,832</u> | \$ | <u>17,325</u> |

The District will receive rental subsidy from the Pennsylvania Department of Education based on payments of principal and interest related to the Center building project. The District recognized rental subsidy revenue during the current fiscal year in the amount of \$54,073 for current year payments made on the project.

NOTE 17 – FUND EQUITY

Classification

The District's fund equity is comprised of various components.

| <u>Category / Fund</u> | <u>Description</u> | <u>Balance June 30, 2022</u> |
|------------------------|--|--------------------------------------|
| Restricted: | | |
| Capital Projects | Capital Reserve | <u>\$ 1,415,479</u> |
| Committed: | | |
| General | Technology | \$ 1,019,941 |
| | Retirement | 1,019,892 |
| | Health Insurance | 872,302 |
| | | <u>\$ 2,912,135</u> |
| Special Revenue | Extraclassroom fund balance | <u>\$ 113,313</u> |
| General | Appropriated – Flooring and roof replacement | \$ 1,364,250 |
| | Appropriated - Subsequent year's budget | 76,646 |
| | | <u>\$ 1,440,896</u> |

**TROY AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 18 – TAX ABATEMENTS

The District has a Payment-in-Lieu of Taxes (PILOT) with a local authority. The agreement calls for annual payments to be made in the amount equal to 10% of shelter rent charged by the local authority during the fiscal year. During the year ended June 30, 2022, the District received \$5,487 related to this PILOT.

NOTE 19 – COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school Districts. The Pennsylvania Department of Education has allocated approximately \$282,000 of CARES Act (ESSER1 and GEER) assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. Also the Pennsylvania Commission on Crime and Delinquency has allocated approximately \$175,000 of CARES Act (PCCD) assistance to the District which is for the funding period of March 13, 2020 through October 30, 2020. As of June 30, 2021 the District has expended the all of the ESSER1 and PCCD funding.

In December 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) was passed which provides additional assistance to school districts. The Pennsylvania Department of Education has allocated approximately \$1,351,000 of CRRSA (ESSER 2) assistance to the District. The District expended \$853,800 and \$280,016 during the years ended June 30, 2022 and 2021, respectively of CRRSA funding.

In March 2021, the American Rescue Plan (ARP) was passed which provides additional assistance to school districts. The Pennsylvania Department of Education has allocated approximately \$2,945,000 of ARP (ESSER 3) assistance to the District. The District expended \$460,732 and \$0 during the years ended June 30, 2022 and 2021, respectively.

The District also provided free breakfast and lunches to all students (except those who opted out) through the Seamless Summer Option.

Given the uncertainty regarding the COVID-19 Pandemic, the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

NOTE 20 – PRIOR PERIOD ADJUSTMENT

Implementation of GASB No. 84 required prior period adjustments for the governmental and fiduciary funds. This adjustment was needed to move the beginning balances of amounts previously reported as fiduciary funds to the respective governmental funds. Total extraclassroom activity funds of \$131,239 were reclassified from fiduciary funds to the special revenue fund as of July 1, 2020.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 6, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TROY AREA SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF
REVENUE AND EXPENDITURES - GENERAL FUND

| <i>Fiscal years ended June 30,</i> | 2022 | 2021 |
|--|----------------------|----------------------|
| Revenue | | |
| Local sources: | | |
| Taxes: | | |
| Current real estate taxes | \$ 7,264,734 | \$ 7,071,584 |
| Per capita | 51,562 | 51,707 |
| Realty transfer, occupation and earned income | 1,342,258 | 1,322,702 |
| Public utility realty tax | 8,628 | 8,497 |
| Payment in lieu of taxes | 13,813 | 14,162 |
| Delinquent real estate taxes | 335,524 | 400,980 |
| Total tax revenue | <u>9,016,519</u> | <u>8,869,632</u> |
| Interest earnings | 19,564 | 13,900 |
| Federal revenue received from intermediate and local sources | 371,997 | 358,637 |
| Rentals | 37,757 | 18,100 |
| Community service activities | 95,522 | 33,360 |
| Receipts from other LEAs in Pennsylvania | 66,433 | 73,994 |
| Miscellaneous | 106,396 | 29,896 |
| Total local sources | <u>9,714,188</u> | <u>9,397,519</u> |
| State sources: | | |
| Basic instructional subsidy - formula and social security | 9,993,933 | 9,801,733 |
| Tuition | 14,630 | 70,385 |
| Rental | 784,561 | 683,064 |
| Transportation | 1,073,905 | 1,073,325 |
| Special education | 1,226,114 | 1,153,822 |
| Retirement | 2,212,954 | 2,150,593 |
| Vocational education | 91,937 | 72,164 |
| Health services | 15,739 | 16,483 |
| PCCD grant | 35,000 | - |
| Property tax relief subsidy | 341,726 | 341,517 |
| Ready to learn block grant | 310,736 | 310,736 |
| Total state sources | <u>16,101,235</u> | <u>15,673,822</u> |
| Federal sources: | | |
| Title I | 378,730 | 273,512 |
| COVID-19 - ESSER, GEER and Health and Safety | 1,314,748 | 733,660 |
| COVID-19 - IDEA | 4,006 | 3,066 |
| Title II | 53,038 | 59,443 |
| Title IV | 23,764 | 19,951 |
| Medical assistance reimbursement | 98,487 | 76,087 |
| Total federal sources | <u>1,872,773</u> | <u>1,165,719</u> |
| Other sources: | | |
| Proceeds from the issuance of lease | - | 133,282 |
| Interfund transfer from capital reserve | - | 56 |
| Total revenue and other sources | <u>\$ 27,688,196</u> | <u>\$ 26,370,398</u> |

See accompanying independent auditor's report on supplementary information.

| Fiscal years ended June 30, | 2022 | 2021 |
|---|---------------------|---------------------|
| Expenditures | | |
| Instruction: | | |
| Regular programs | \$ 10,868,812 | \$ 10,305,588 |
| Special programs | 4,591,398 | 4,207,006 |
| Vocational education programs | 708,129 | 788,111 |
| Other instructional programs | 115,802 | 101,666 |
| Total instruction | <u>16,284,141</u> | <u>15,402,371</u> |
| Support services: | | |
| Pupil personnel | 900,301 | 891,789 |
| Instructional staff | <u>1,221,042</u> | <u>1,516,529</u> |
| Administration: | | |
| Board services | 39,695 | 39,791 |
| Board treasurer | 250 | 374 |
| Tax collections | 56,084 | 59,500 |
| Legal | 49,696 | 65,964 |
| Superintendent | 316,406 | 286,427 |
| Principals | 951,380 | 936,716 |
| Total administration | <u>1,413,511</u> | <u>1,388,772</u> |
| Other support services | | |
| Pupil health | 237,896 | 220,796 |
| Business | 393,668 | 360,958 |
| Operation and maintenance of plant services | 2,045,948 | 2,426,185 |
| Student transportation services | 1,663,968 | 1,486,918 |
| Central support services | 293,348 | 303,906 |
| Total other support services | <u>4,634,828</u> | <u>4,798,763</u> |
| Total support services | <u>8,169,682</u> | <u>8,595,853</u> |
| Noninstructional services: | | |
| Student activities | 578,683 | 435,305 |
| Total noninstructional services | <u>578,683</u> | <u>435,305</u> |
| Other financing uses: | | |
| Debt service | 2,727,551 | 2,546,145 |
| Interfund transfer to capital reserve | 44,883 | 36,026 |
| Total other financing uses | <u>2,772,434</u> | <u>2,582,171</u> |
| Total expenditures and other financing uses | <u>27,804,940</u> | <u>27,015,700</u> |
| Deficiency of revenue and other sources over expenditures and other financing uses | <u>\$ (116,744)</u> | <u>\$ (645,302)</u> |

TROY AREA SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS – ACTIVITY FUND
JULY 1, 2021 THROUGH JUNE 30, 2022

| Jr/Sr High School | Balances July 01, 2021 | Total Receipts 2021-22 | Total Receipts & Balances | Total Payments 2021-22 | Balances June 30, 2022 |
|--------------------------------|---------------------------|------------------------------|---------------------------------|------------------------------|---------------------------|
| Class of 2022 | \$ 17,195 | \$ 14,086 | \$ 31,281 | \$ 22,490 | \$ 8,791 |
| Class of 2023 | 1,044 | 9,661 | 10,705 | 4,253 | 6,452 |
| Class of 2024 | 2,163 | 1,385 | 3,548 | 1,008 | 2,540 |
| Class of 2025 | 2,758 | 10 | 2,768 | - | 2,768 |
| Class of 2026 | - | 13,003 | 13,003 | 8,342 | 4,661 |
| Class of 2027 | - | 5,006 | 5,006 | 3,162 | 1,844 |
| NHS | 2,377 | 1,012 | 3,389 | 1,375 | 2,014 |
| NJHS | 621 | 2 | 623 | - | 623 |
| Student Faculty Senate | 5,788 | 10,379 | 16,167 | 8,807 | 7,360 |
| Jr. Student Faculty Senate | 4,102 | 1,286 | 5,388 | 3,082 | 2,306 |
| Yearbook | 8,770 | 6,959 | 15,729 | 8,954 | 6,775 |
| Jr. High Special Learning | 2,365 | 8 | 2,373 | - | 2,373 |
| Choral | 6,803 | 134 | 6,937 | 377 | 6,560 |
| Band | 932 | 763 | 1,695 | 380 | 1,315 |
| Track | 960 | 3 | 963 | - | 963 |
| Leo | 1,810 | 434 | 2,244 | 459 | 1,785 |
| Ski | 179 | 1 | 180 | - | 180 |
| Fall Cheerleading | 4,006 | 12,956 | 16,962 | 14,257 | 2,705 |
| Comp Cheer | 4,470 | 1,488 | 5,958 | 5,958 | - |
| G. Basketball | 2 | - | 2 | 2 | - |
| Jr. Basketball | 97 | 2 | 99 | 2 | 97 |
| Volleyball | 115 | - | 115 | - | 115 |
| Jr. Volleyball | 300 | 1 | 301 | - | 301 |
| Lettermen | 4,451 | 16 | 4,467 | - | 4,467 |
| Cross Country | 97 | 4,147 | 4,244 | 2,557 | 1,687 |
| Jr. Cross Country | 202 | 2,661 | 2,863 | 2,141 | 722 |
| Wrestling | 2,018 | 7 | 2,025 | - | 2,025 |
| Jr. Wrestling | 1,140 | 4 | 1,144 | - | 1,144 |
| Jr. Football | 822 | 3 | 825 | - | 825 |
| Softball | 839 | 3 | 842 | - | 842 |
| Baseball | 97 | - | 97 | - | 97 |
| B. Soccer | (2) | 2 | - | - | - |
| G. Soccer | 472 | - | 472 | 472 | - |
| Graduation | 798 | 3 | 801 | - | 801 |
| School Play | 15,012 | 12,805 | 27,817 | 12,178 | 15,639 |
| Interact | 234 | 1 | 235 | - | 235 |
| FBLA | 2,376 | 8 | 2,384 | - | 2,384 |
| FFA | 12,966 | 22,298 | 35,264 | 21,148 | 14,116 |
| Scholarship Challenge | 1,130 | 4 | 1,134 | - | 1,134 |
| Spanish | 853 | 3 | 856 | 100 | 756 |
| General | 587 | 8 | 595 | 6 | 589 |
| Fit Club | 919 | 118 | 1,037 | 115 | 922 |
| Speech & Debate | 1,881 | 599 | 2,480 | 561 | 1,919 |
| Literary Magazine | 47 | - | 47 | - | 47 |
| Envionronmental Club | - | 122 | 122 | 22 | 100 |
| Total Jr./Sr High funds | \$ 113,796 | \$ 121,391 | \$ 235,187 | \$ 122,208 | \$ 112,979 |

Beginning and ending balance represent cash on-hand. As of June 30, 2022 the extraclassroom activity fund had an amount due from the general fund in the amount of \$334.

TROY AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2022

District Plan - Other Post Employment Benefits

| As of the measurement date of July 1, | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ 390,358 | \$ 185,038 | \$ 187,103 | \$ 243,436 | \$ 245,623 |
| Interest | 104,467 | 109,042 | 97,268 | 126,078 | 99,056 |
| Differences between expected and actual experience | - | 1,543,862 | - | (836,203) | - |
| Changes in assumptions | (159,361) | 553,014 | (89,478) | (3,411) | (633) |
| Benefit payments | (250,957) | (194,529) | (231,643) | (244,615) | (347,935) |
| Net change in total OPEB liability | 84,507 | 2,196,427 | (36,750) | (714,715) | (3,889) |
| Total OPEB liability - beginning | 5,362,071 | 3,165,644 | 3,202,394 | 3,917,109 | 125,892 |
| Prior period adjustment | - | - | - | - | 3,795,106 |
| Total OPEB liability - ending | <u>\$5,446,578</u> | <u>\$5,362,071</u> | <u>\$3,165,644</u> | <u>\$3,202,394</u> | <u>\$3,917,109</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 250,957 | \$ 194,529 | \$ 231,643 | \$ 244,615 | \$ 347,935 |
| Net investment income | - | - | - | - | - |
| Benefit payments | (250,957) | (194,529) | (231,643) | (244,615) | (347,935) |
| Net change in plan fiduciary net position | - | - | - | - | - |
| Plan fiduciary net position - beginning | - | - | - | - | - |
| Plan fiduciary net position - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's net OPEB liability | <u>\$5,446,578</u> | <u>\$5,362,071</u> | <u>\$3,165,644</u> | <u>\$3,202,394</u> | <u>\$3,917,109</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Covered-employee payroll | <u>\$9,617,914</u> | <u>\$9,617,914</u> | <u>\$9,426,682</u> | <u>\$9,426,682</u> | <u>\$8,897,475</u> |
| District's net OPEB liability as a percentage of covered-employee payroll | <u>56.63%</u> | <u>55.75%</u> | <u>33.58%</u> | <u>33.97%</u> | <u>44.02%</u> |

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 1.86% as of 7/1/2020 to 2.28% as of 7/1/2021

TROY AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OPEB LIABILITY AND RELATED RATIOS – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2022

PSERS Plan - Health Insurance Premium Assistance Program

| As of the measurement date of June 30, | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ 32,000 | \$ 27,000 | \$ 31,000 | \$ 26,000 | \$ 29,000 |
| Interest | 43,000 | 44,000 | 43,000 | 46,000 | 42,000 |
| Differences between expected and actual experience | 2,000 | 6,000 | (1,000) | 9,000 | 1,000 |
| Differences between projected and actual investment earnings | - | - | 1,000 | 1,000 | - |
| Administrative Expenses | - | - | - | (5,000) | (2,000) |
| Changes in assumptions | 145,000 | 23,000 | 36,000 | 34,000 | (75,000) |
| Changes in proportions | 2,000 | 5,000 | 42,000 | 20,000 | (112,000) |
| Benefit payments | (82,000) | (83,000) | (81,000) | (77,000) | (75,000) |
| Net change in total OPEB liability | 142,000 | 22,000 | 71,000 | 54,000 | (192,000) |
| Total OPEB liability - beginning | 1,530,000 | 1,508,000 | 1,437,000 | 1,383,000 | - |
| Prior period adjustment | - | - | - | - | 1,575,000 |
| Total OPEB liability - ending | <u>\$ 1,672,000</u> | <u>\$ 1,530,000</u> | <u>\$ 1,508,000</u> | <u>\$ 1,437,000</u> | <u>\$ 1,383,000</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 82,000 | \$ 83,000 | \$ 81,000 | \$ 77,000 | \$ 75,000 |
| Net investment income | - | - | - | - | - |
| Benefit payments | (82,000) | (83,000) | (81,000) | (77,000) | (75,000) |
| Net change in plan fiduciary net position | - | - | - | - | - |
| Plan fiduciary net position - beginning | - | - | - | - | - |
| Plan fiduciary net position - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's net OPEB liability | <u>\$ 1,672,000</u> | <u>\$ 1,530,000</u> | <u>\$ 1,508,000</u> | <u>\$ 1,437,000</u> | <u>\$ 1,383,000</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Covered-employee payroll | <u>\$ 10,001,274</u> | <u>\$ 9,906,283</u> | <u>\$ 9,784,377</u> | <u>\$ 9,273,919</u> | <u>\$ 9,037,479</u> |
| District's net OPEB liability as a percentage of covered-employee payroll | <u>16.72%</u> | <u>15.44%</u> | <u>15.41%</u> | <u>15.50%</u> | <u>15.30%</u> |

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate from 2.66% as of 6/30/20 to 2.18% as of 6/30/21

**TROY AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2022**

District Plan - Other Post Employment Benefits

| For the year ended June 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contributions | \$ 250,957 | \$ 194,529 | \$ 231,643 | \$ 244,615 | \$ 347,935 |
| Contributions in relation to the actuarially determined contribution | (250,957) | (194,529) | (231,643) | (244,615) | (347,935) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 9,617,914 | \$ 9,617,914 | \$ 9,426,682 | \$ 9,426,682 | \$ 8,897,475 |
| Contributions as a percentage of District's covered-employee payroll | 2.61% | 2.02% | 2.46% | 2.59% | 3.91% |

Notes to Schedule:

Valuation date: 07/01/2020

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|---|
| Actuarial cost method | Entry Age Normal Level % of Salary Method |
| Discount Rate | 2.28% as of July 1, 2021 |
| Healthcare cost trend rates | 5.5% in 2021 through 2023, with a gradual Medical Cost Trend Modell decrease from 5.4% in 2024 to 4% in 2075 and later based on the Society of Actuaries Long-Run |
| Salary increases | Based on 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0% |
| Mortality | Based on PSERS defined pension plan actuarial valuation. |
| Retiree Cost Sharing | Benefits for retirees vary based on employment contracts in effect at the date of retirement. |
| Participants | 186 Active, 0 Vested Former Participant, and 20 Retirees |

TROY AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2022

| For the year ended June 30, | <i>PSERS Plan - Health Insurance Premium Assistance Program</i> | | | | |
|--|---|-------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially determined contributions | \$ 84,000 | \$ 83,000 | \$ 81,000 | \$ 77,000 | \$ 75,000 |
| Contributions in relation to the actuarially determined contribution | (84,000) | (83,000) | (81,000) | (77,000) | (75,000) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$10,001,274 | \$9,906,283 | \$9,784,377 | \$9,273,919 | \$9,037,479 |
| Contributions as a percentage of District's covered-employee payroll | 0.84% | 0.84% | 0.83% | 0.83% | 0.83% |

Notes to Schedule:

| | |
|---|--|
| Valuation date: | 06/30/2020 and actuarially rolled forward to 06/30/2021 |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry Age Normal Level % of Salary Method |
| Discount Rate | 2.18% as of June 30, 2021 |
| Healthcare cost trend rates | Premium Assistance reimbursement is capped at \$1,200 per year. |
| Salary increases | Effective average of 4.5%, comprised of inflation of 2.5% and 2.0% for real wage growth and for merit or seniority increases. |
| Mortality | 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. |

TROY AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 20, 2021

| Measurement date ended June 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.0705% | 0.0707% | 0.0709% | 0.0689% | 0.0679% | 0.0731% | 0.0696% | 0.0714% | 0.0724% |
| District's proportionate share of the net pension liability | \$28,945,000 | \$34,812,000 | \$33,169,000 | \$33,075,000 | \$33,535,000 | \$36,226,000 | \$30,147,000 | \$28,261,000 | \$29,368,000 |
| District's covered-employee payroll | \$10,001,274 | \$9,906,283 | \$9,784,377 | \$9,273,919 | \$9,037,479 | \$9,464,248 | \$8,953,522 | \$9,116,839 | \$9,287,223 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 289.4131% | 351.4133% | 338.9996% | 356.6453% | 371.0659% | 382.7668% | 336.7055% | 309.9868% | 316.2194% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.7% | 54.3% | 55.7% | 54.0% | 51.8% | 50.1% | 54.4% | 57.2% | 54.5% |

TROY AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2021

| Measurement date ended June 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 3,351,427 | \$3,304,736 | \$3,189,707 | \$2,943,542 | \$2,638,944 | \$2,366,062 | \$1,835,472 | \$1,458,694 | \$1,068,031 |
| Contributions in relation to the contractually required contribution | (3,351,427) | (3,304,736) | (3,189,707) | (2,943,542) | (2,638,944) | (2,366,062) | (1,835,472) | (1,458,694) | (1,068,031) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 10,001,274 | \$9,906,283 | \$9,784,377 | \$9,273,919 | \$9,037,479 | \$9,464,248 | \$8,953,522 | \$9,116,839 | \$9,287,223 |
| Contributions as a percentage of covered-employee payroll | 33.5% | 33.4% | 32.6% | 31.7% | 29.2% | 25.0% | 20.5% | 16.0% | 11.5% |

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

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Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Troy Area School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

Troy Area School District is the recipient of a non-monetary federal award program. During the year ended June 30, 2022, the District reported in the Schedule of Federal Awards \$74,099 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Costs

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

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

| Federal Grantor/Pass-through Grantor | Source Code | Federal CFDA # | Pass-through Grantor Number | Grant Period Beginning/Ending Date | Program or Award Amount | Grant Received | 7/1/21 Accrued (Deferred) | Revenue | Expenditure | 6/30/22 Accrued (Deferred) |
|--|-------------|----------------|-----------------------------|------------------------------------|-------------------------|---------------------|---------------------------|---------------------|---------------------|----------------------------|
| United States Department of Education: | | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | | |
| Title 1, Part A | 1 | 84.010 | 013-22-0433 | 07/1/2021 - 9/30/2022 | \$ 449,596 | \$ 166,961 | \$ - | \$ 276,014 | \$ 276,014 | \$ 109,053 |
| Title 1, Part A | 1 | 84.010 | 013-21-0433 | 07/1/2020 - 9/30/2021 | 370,171 | 90,873 | 47,840 | 102,502 | 102,502 | 59,469 |
| Title IIA | 1 | 84.367 | 020-22-0433 | 07/1/2021 - 9/30/2022 | 59,536 | 21,975 | - | 53,038 | 53,038 | 31,063 |
| Title IIA | 1 | 84.367 | 020-21-0433 | 07/1/2020 - 9/30/2021 | 55,639 | 4,673 | 4,231 | - | - | (442) |
| Title IV | 1 | 84.424 | 144-22-0433 | 07/1/2021 - 9/30/2022 | 27,497 | 9,999 | - | 117 | 117 | (9,882) |
| Title IV | 1 | 84.424 | 144-21-0433 | 07/1/2020 - 9/30/2021 | 23,647 | - | (23,647) | 23,647 | 23,647 | - |
| Title IV | 1 | 84.424 | 144-20-0433 | 07/1/2019 - 9/30/2020 | 23,766 | 13,581 | 13,581 | - | - | - |
| COVID-19 - Special Education Covid-19 Impact Mitigation Grant * | 1 | 84.027 | 252-20-0433 | 07/1/2020 - 9/30/2021 | 11,355 | 757 | (719) | 4,006 | 4,006 | 2,530 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund | 1 | 84.425D | 200-20-0433 | 3/13/2020 - 9/30/2021 | 256,102 | 202,186 | 202,186 | - | - | - |
| COVID-19 - Continuity of Education Equity Grant - GEER | 1 | 84.425C | 253-20-0433 | 3/13/2020 - 9/30/2021 | 26,800 | 22,568 | - | - | - | - |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund II | 1 | 84.425D | 200-21-0433 | 3/13/2020 - 9/30/2023 | 1,351,005 | 125,675 | 280,016 | 853,800 | 853,800 | 1,008,141 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund III | 1 | 84.425U | 223-21-0433 | 3/13/2020 - 9/30/2024 | 2,732,692 | 149,056 | - | 459,932 | 459,932 | 310,876 |
| COVID-19 - ESSER 7% Learning Loss | 1 | 84.425U | 225-21-0433 | 3/13/2020 - 9/30/2024 | 151,708 | 8,275 | - | - | - | (8,275) |
| COVID-19 - ESSER 7% Summer Program | 1 | 84.425U | 225-21-0433 | 3/13/2020 - 9/30/2024 | 30,342 | 1,655 | - | 800 | 800 | (855) |
| COVID-19 - ESSER 7% After School Program | 1 | 84.425U | 225-21-0433 | 3/13/2020 - 9/30/2024 | 30,342 | 1,655 | - | - | - | (1,655) |
| | | | | | <u>5,600,198</u> | <u>819,889</u> | <u>546,056</u> | <u>1,773,856</u> | <u>1,773,856</u> | <u>1,500,023</u> |
| IDEA 611 * | 2 | 84.027 | 062-22-0009 | 07/1/2021 - 09/30/2022 | 319,155 | 130,000 | - | 319,155 | 319,155 | 189,155 |
| IDEA 611 * | 2 | 84.027 | 062-21-0009 | 07/1/2020 - 09/30/2021 | 325,851 | 183,851 | 183,851 | - | - | - |
| IDEA 619 * | 2 | 84.173 | 131-22-0017 | 07/1/2021 - 09/30/2022 | 2,842 | - | - | 2,842 | 2,842 | 2,842 |
| IDEA 619 * | 2 | 84.173 | 131-21-0017 | 07/1/2020 - 09/30/2021 | 2,784 | 2,784 | 2,784 | - | - | - |
| | | | | | <u>650,632</u> | <u>316,635</u> | <u>186,635</u> | <u>321,997</u> | <u>321,997</u> | <u>191,997</u> |
| Passed through the Intermediate Unit #1 | | | | | | | | | | |
| COVID-19 - Troy Integrated Employment Support * | 6 | 84.027 | 062-21-0032 | 01/6/2021 - 08/13/2021 | 30,000 | 30,000 | 30,000 | - | - | - |
| Passed through the Intermediate Unit #13 | | | | | | | | | | |
| IDEA 611 Special Education - Grants to States Program* | 7 | 84.027 | 062-22-0033 | 07/1/2021 - 09/30/2022 | 50,000 | - | - | 50,000 | 50,000 | 50,000 |
| | | | | | <u>6,330,830</u> | <u>1,166,524</u> | <u>762,691</u> | <u>2,145,853</u> | <u>2,145,853</u> | <u>1,742,020</u> |
| Total U.S. Department of Education | | | | | | | | | | |
| U.S. Department of Health and Human Services | | | | | | | | | | |
| Passed through the Pennsylvania Department of Human Services | | | | | | | | | | |
| Medical Access | 5 | 93.778 | 044-00-7433 | 07/1/2020 - 09/30/2021 | 14,412 | 10,956 | 7,847 | 14,412 | 14,412 | 11,303 |
| U.S. Department of Agriculture: | | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | | |
| COVID-19 Supply Chain Assistance ** | 3 | 10.555 | 356 | 07/1/2021 - 06/30/2022 | n/a | 31,126 | - | 31,126 | 31,126 | - |
| COVID-19 SNP Emergency Operating Costs ** | 3 | 10.555 | 357 | 07/1/2021 - 06/30/2022 | n/a | 45,048 | - | 45,048 | 45,048 | - |
| COVID-19 P-EBT Local Administration Funds | 3 | 10.649 | 358 | 07/1/2021 - 06/30/2022 | n/a | 3,063 | - | 3,063 | 3,063 | - |
| COVID-19 National School Lunch Program - Seamless Summer Option** | 3 | 10.555 | 362 | 07/1/2021 - 06/30/2022 | n/a | 731,653 | 27,545 | 727,550 | 727,550 | 23,442 |
| COVID-19 School Breakfast Program - Seamless Summer Option** | 3 | 10.553 | 365 | 07/1/2021 - 06/30/2022 | n/a | 196,502 | 10,454 | 193,302 | 193,302 | 7,194 |
| Passed through the Pennsylvania Department of Agriculture | | | | | | | | | | |
| National School Lunch Program - USDA Donated Food ** | 4 | 10.555 | n/a | 07/1/2021 - 06/30/2022 | n/a | 89,473 | (15,954) | 74,099 | 74,099 | (31,328) |
| | | | | | <u>n/a</u> | <u>1,096,925</u> | <u>22,045</u> | <u>1,074,188</u> | <u>1,074,188</u> | <u>(692)</u> |
| Total U.S. Department of Agriculture | | | | | | | | | | |
| Total Federal Assistance | | | | | | | | | | |
| | | | | | | <u>\$ 2,274,405</u> | <u>\$ 792,583</u> | <u>\$ 3,234,453</u> | <u>\$ 3,234,453</u> | <u>\$ 1,752,631</u> |

Sources of Federal Funds are:

- (1) United States Department of Education passed through the Pennsylvania Department of Education
- (2) United States Department of Education passed through the Pennsylvania Department of Education, passed through to the BLaST Intermediate Unit #17
- (3) United States Department of Agriculture passed through the Pennsylvania Department of Education
- (4) United States Department of Agriculture value of donated food passed through the Pennsylvania Department of Agriculture
- (5) United States Department of Health and Human Services passed through the Pennsylvania Department of Human Services
- (6) United States Department of Education passed through the Pennsylvania Department of Education, passed through to the Intermediate Unit #1
- (7) United States Department of Education passed through the Pennsylvania Department of Education, passed through to the Intermediate Unit #13

* Constitutes a cluster of Federal programs named Special Education Cluster with total revenue and expenditures during the year ended June 30, 2022

** Constitutes a cluster of Federal programs named Child Nutrition Cluster with total revenue and expenditures during the year ended June 30, 2022

\$ 376,003
\$ 1,071,125

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

**To the President and
Members of the Board of Education
Troy Area School District
Troy, Pennsylvania**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of *Troy Area School District* as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise *Troy Area School District’s* basic financial statements and have issued our report thereon dated December 6, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 6, 2022**

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

**To the President and
Members of the Board of Education
Troy Area School District
Troy, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on *Troy Area School District's* compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 *Troy Area School District* with the requirements of each major federal program as a whole.

Auditor's Responsibilities for the Audit of Compliance (continued)

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 **Troy Area School District's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Troy Area School District's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Troy Area School District's** internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that may be material weakness 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.

Purpose of this Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 6, 2022**

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

| | | | |
|---|-----------------------|---------------------|---------------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> </u> x | <u> </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> </u> x | <u> </u> none reported |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> </u> x | <u> </u> no |

Federal Awards

Internal control over major programs:

| | | | |
|---|-----------------------|---------------------|---------------------------------|
| Material weakness(es) identified? | <u> </u> yes | <u> </u> x | <u> </u> no |
| Significant deficiency(ies) identified? | <u> </u> yes | <u> </u> x | <u> </u> none reported |

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)

| | | |
|-----------------------|---------------------|----------------------|
| <u> </u> yes | <u> </u> x | <u> </u> no |
|-----------------------|---------------------|----------------------|

| Federal Program Title | Federal CFDA Number | Amount |
|--------------------------------------|---------------------------|---------------------|
| Total expenditures of Federal Awards | | <u>\$ 3,234,453</u> |

Identification of Major Programs Tested:

| | | |
|--|---------|------------|
| COVID-19 - Elementary and Secondary School Emergency Relief Fund II | 84.425D | \$ 853,800 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund III | 84.425U | 459,932 |
| COVID-19 - ESSER 7% Summer Program | 84.425U | <u>800</u> |

Total major programs tested \$ 1,314,532

% of Federal programs tested 41%

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

Auditee qualified as low risk? x yes no

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

II. FINANCIAL STATEMENT AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2022

No findings related to internal control over financial reporting are being reported upon during the fiscal year ended June 30, 2022.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2022

No findings related to compliance and other matters are being reported upon during the fiscal year ended June 30, 2022.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2022

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2022.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2022

No findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2022.

I. FINANCIAL STATEMENT AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2021

There were no findings related to internal control over financial reporting during the year ended June 30, 2021.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2021

There were no findings related to compliance and other matters during the year ended June 30, 2021.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2021

There were no findings related to compliance during the year ended June 30, 2021.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2021

There were no findings related to internal control over compliance during the year ended June 30, 2021.



**To the President and Members of
The Board of Education
Troy Area School District
Troy, Pennsylvania**

To the Board Members and Administration:

We have completed our audit of the District's financial statements for the fiscal year ended June 30, 2022 and have issued our reports thereon dated December 6, 2022. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles in the United States of America for governments and school districts located in the Commonwealth of Pennsylvania. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Troy Area School District* for the year ended June 30, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a summary of additional comments which we desire to bring to the Board and Administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. In addition, attached to this letter is a summary of revenue and expense comparisons and analysis of fund equity for the school years ended June 30, 2018 through June 30, 2022.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 6, 2022**

TROY AREA SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

| | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue and other sources | | | | | |
| Tax revenue | \$ 9,017 | \$ 8,870 | \$ 8,669 | \$ 8,697 | \$ 8,430 |
| Other local sources | 698 | 528 | 500 | 507 | 502 |
| State aid | 16,101 | 15,674 | 15,470 | 15,169 | 14,882 |
| Federal aid | 1,873 | 1,166 | 484 | 459 | 430 |
| Capital lease, bond refunding, and other | - | 133 | - | 8,922 | 27 |
| | <u>27,689</u> | <u>26,371</u> | <u>25,123</u> | <u>33,754</u> | <u>24,271</u> |
| Expenditures and other uses | | | | | |
| Instruction | 16,284 | 15,402 | 14,640 | 14,276 | 13,631 |
| Administration | 1,414 | 1,389 | 1,685 | 1,435 | 1,333 |
| Other support services | 6,755 | 7,207 | 6,366 | 6,124 | 6,064 |
| Noninstructional services | 579 | 435 | 525 | 528 | 520 |
| Facilities acquisition and construction | - | - | - | 1 | - |
| Debt service | 2,728 | 2,546 | 2,338 | 2,393 | 2,395 |
| Bond refunding and other | - | - | - | 8,920 | - |
| Transfers to other funds | 45 | 36 | 26 | 77 | - |
| | <u>27,805</u> | <u>27,015</u> | <u>25,580</u> | <u>33,754</u> | <u>23,943</u> |
| Excess (deficiency) of revenue over expenditures | (116) | (644) | (457) | - | 328 |
| Fund equity | | | | | |
| Beginning of year | 6,280 | 6,924 | 7,381 | 7,381 | 7,053 |
| End of year | <u>\$ 6,164</u> | <u>\$ 6,280</u> | <u>\$ 6,924</u> | <u>\$ 7,381</u> | <u>\$ 7,381</u> |

Student Activities' Point of Sale Records

We recommend the District continue its efforts of ensuring each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor and be verified or reviewed by the central treasurer.

Future Governmental Accounting Standards – GASB 96

In 2020, the Governmental Accounting Standards Board issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), which will be effective for the fiscal year ending June 30, 2023. The new standard (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. We recommend that the District begin to collect pertinent data on all lease agreements for evaluation along with familiarizing themselves with the new SBITA standard, which may include continuing education, webinars and further training.

General Fund Budget

During the current year, the District's expenditures exceeded its budget related to Pandemic related expenditures which were paid for through grants. We recommend the District consider increasing its budget for expenditures associated with grants that was allocated to the District and not originally budgeted.

