

GENERAL MCLANE SCHOOL DISTRICT

Financial Statements

For the Year Ended June 30, 2023

**GENERAL MCLANE SCHOOL DISTRICT
EDINBORO, PENNSYLVANIA**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
General McLane School District
Edinboro, PA

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the General McLane School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the General McLane 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 and budgetary comparison information on pages 4-10 and 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2023, on our consideration of the General McLane 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 General McLane 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 General McLane School District's internal control over financial reporting and compliance.

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

December 5, 2023

**GENERAL McLANE SCHOOL DISTRICT
EDINBORO, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2023**

The discussion and analysis of General McLane School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

OVERVIEW OF FINANCIAL STATEMENTS

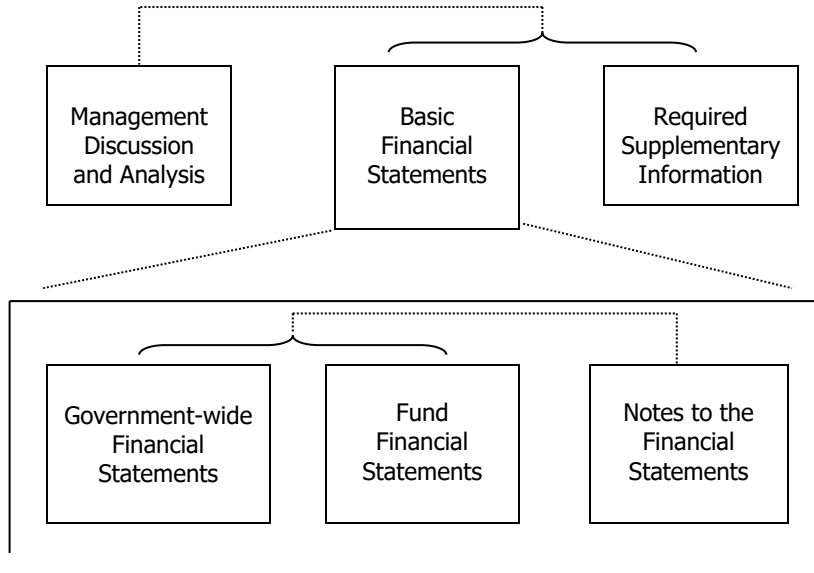
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide the District's long-term and short-term financial information.

The remaining statements are fund financial statements that are focused on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements contain information about how District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about activities that the District operates like a business. Fiduciary fund statements contain information about activities for which the School District acts solely as a trustee or agent to safeguard resources that belong to other groups or entities.

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

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

Figure A-1
Required components of
General McLane School District's
Financial Report



Government-wide Statements

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

The two government-wide statements are used to report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one measure of the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, additional non-financial factors must be considered, such as changes in the District's property tax base and the performance of the students.

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

- **Governmental activities** – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes along with state and federal subsidies and grants are used to finance most of these activities.
- **Business type activities** –The District has a food service operation and charges fees to staff, students and visitors to cover a portion of the operation's costs.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law or by bond requirements.

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

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

Fiduciary funds - The District is the trustee, or fiduciary, for certain scholarship and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities were excluded from the District's other financial statement because the District is not permitted to use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1

Fiscal Year ended June 30, 2023
With Comparative Totals for June 30, 2022
Net Assets (in \$000)

	Governmental Activities	Business-type Activities	June 30, 2023 Total	June 30, 2022 Total
Current and other assets	\$34,883	\$ 435	\$35,318	\$25,621
Capital assets	26,483	180	26,663	24,833
Total Assets	<u>61,366</u>	<u>615</u>	<u>61,981</u>	<u>50,454</u>
Deferred Outflows (OPEB & Pensions)	8,490	173	8,663	9,356
Current and other liabilities	6,371	52	6,423	6,050
Long-term Liabilities	63,659	1,064	64,723	51,471
Total Liabilities	<u>70,030</u>	<u>1,116</u>	<u>71,146</u>	<u>57,521</u>
Deferred Inflows (Pensions)	2,743	63	2,806	9,180
Net Position				
Invested in capital assets, net of related debt	26,483	180	26,663	24,833
Restricted	17,149		17,149	17,298
Unrestricted	(46,549)	(571)	(47,120)	(49,022)
Total Net Position	<u>(\$2,917)</u>	<u>(\$391)</u>	<u>(\$3,308)</u>	<u>(\$6,891)</u>

Beginning with the fiscal year ended June 30, 2015, the District has been required to report its proportionate share of the Pennsylvania School Employees Retirement System ("PSERS") pension related liabilities, expense, deferred outflows and deferred inflows under GASB Statement 68.

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining net assets are either restricted or unrestricted. Restricted assets are amounts reserved for special termination benefits, inventories, and encumbrances.

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

Table A-2 is a presentation of the information from the Statement of Activities in a different format. It shows a \$4.2 million increase in revenues and a \$0.5 million increase to expenditures from the prior year.

Table A-2
Fiscal Year ended June 30, 2023
With Comparative Totals for the Year ended June 30, 2022
Changes in Net Assets (in \$000)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Year Ending June 30, 2023 Total</u>	<u>Year Ending June 30, 2022 Total</u>
Revenues				
Charges for services	\$421	\$398	\$819	\$529
Operating grants and contributions	7,882	933	8,815	9,413
Capital grants and contributions	--	--	--	--
General revenues:				
Property and other taxes	15,314	--	15,314	15,197
Grants, subsidies and contributions, unrestricted	15,428	--	15,428	11,806
Other	880	--	880	118
Total revenues	<u>\$39,925</u>	<u>\$1,331</u>	<u>\$41,256</u>	<u>\$37,063</u>
Expenses				
Instruction	\$23,291	--	\$23,291	\$23,949
Instructional student support	3,961	--	3,961	3,732
Administrative and financial support	3,032	--	3,032	2,734
Operation and maintenance of plant	3,351	--	3,351	2,840
Pupil transportation	1,686	--	1,686	1,848
Student activities	1,098	--	1,098	927
Loss on asset dispositions and other	8	--	8	12
Interest on long-term debt	97	--	97	--
Food Services	--	1,150	1,150	1,065
Total expenses	<u>\$36,524</u>	<u>\$1,150</u>	<u>\$37,674</u>	<u>\$37,107</u>
Increase (decrease) in net assets	<u>\$ 3,401</u>	<u>\$ 181</u>	<u>\$ 3,582</u>	<u>\$ (44)</u>

Table A-3 shows the District's total cost for its eight largest functions as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Year ended June 30, 2023
Governmental Activities (in \$000)

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$23,291	\$17,240
Instructional student support	3,961	3,306
Administrative	3,032	2,745
Operation and maintenance	3,351	3,099
Pupil transportation	1,686	748
Student activities	1,098	978
Loss on asset dispositions and other	105	105
Total governmental activities	<u>\$36,524</u>	<u>\$28,221</u>
Less: Unrestricted grants, subsidies		15,428
Total needed from Local Taxes & Other Revenues		<u>\$12,793</u>

THE DISTRICT FUNDS

At June 30, 2023, the District governmental funds had a combined fund balance of \$27.9 million, which is an \$9.4 million increase from the prior year.

GENERAL FUND BUDGET

For the 2022-23 fiscal year, the Board increased real estate taxes from 13.24 to 13.84 mills and budgeted a \$2.2 million deficit (i.e. excess of expenditures over revenues). However, actual expenditures only exceeded revenues by \$0.2 million.

Table A-4 summarizes the general fund revenues and expenditures comparing budget to actual results.

Table A-4
Fiscal Year ended June 30, 2023
General Fund Revenues and Expenditures Highlights (in \$000)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
<u>Operating Revenues</u>				
Tax collections (all types)	\$14,730	\$15,323	\$593	4.0%
State grants/subsidies	17,949	18,694	745	4.2
Federal grants/subsidies	1,135	4,616	3,481	306.7
All other revenues	462	1,053	86	17.6
Total Operating Revenues	<u>\$34,276</u>	<u>\$39,686</u>	<u>\$5,410</u>	<u>15.8%</u>
<u>Operating Expenditures</u>				
Salaries & Benefits	28,271	27,591	680	2.4%
Purchased Professional Services	1,998	3,018	(1,020)	(51.0)
Equipment & Supplies	2,787	5,318	(2,531)	(91.0)
Tuition	1,768	2,639	(871)	(49.0)
Utilities	549	596	(47)	(8.5)
Other	<u>1,126</u>	<u>760</u>	<u>366</u>	<u>32.5</u>
Total Operating Expenditures	<u>36,499</u>	<u>39,922</u>	<u>(\$3,423)</u>	<u>(9.4%)</u>
Operating Surplus/(Deficit)	<u>(\$2,223)</u>	<u>\$(236)</u>	<u>\$1,987</u>	
<u>Other Financing Sources (Uses)</u>				
Interfund Transfers Out	(280)	(260)	20	
Bond Proceeds & Premium	-0-	9,995	9,995	
All Other	-0-	34	34	
Net Change to Fund Balance	<u>(\$2,503)</u>	<u>\$9,533</u>	<u>\$12,036</u>	

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2023, the District had \$26.5 million invested (net of depreciation) in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, disposals and depreciation) of \$1.8 million from June 30, 2022.

Governmental and Business Type Activities
Capital assets net of depreciation (in \$000)

	2023	2022
Land	\$ 516	\$ 516
Buildings & Equipment	24,312	22,511
Vehicles	1,654	1,611

DEBT ADMINISTRATION

The District issued \$9,570,000 of general obligation bonds during 2022-23 to fund various capital projects. Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2023-2024 BUDGET OVERVIEW

For the 2023-2024 school year, General McLane adopted a general fund budget totaling \$36.4 million. This budget includes costs to educate approximately 2,100 students in four buildings. The budget includes an increase to real estate taxes and a \$0.7 million use of fund balance.

FINANCIAL TRENDS

Over the last three decades, the percentage of school costs paid by the Commonwealth of Pennsylvania has decreased. During the early seventies, the state paid approximately 50% of instructional costs. Today that number is around 35% for many districts. The state has considered several proposals to increase its share of school funding. Because General McLane currently receives 54% of its revenue from the state, any change would have a major impact on real estate taxes and the district's budget. The Taxpayer Relief Act (Special Session Act 1 of 2006) provided tax relief options through increased funding for the state's Senior Citizens Property Tax and Rent Rebate Program, an annual inflationary cost index limit for real estate tax increases, an installment payment option for real estate taxes for homestead owners and potential state gaming revenue to provide homestead real estate tax relief. Approximately 3,900 property owners realized real estate tax relief from gaming revenues during 2022-2023.

The biggest challenges facing the district are ever increasing retirement contributions, special education costs and cyber/charter tuition payments. The District's share of retirement had increased to an unsustainable level of about 17% in 2022-2023. The tuition paid to cyber/charter schools increased dramatically during 2020-2021 and 2021-2022 as students and parents opted to enroll in cyber schools to avoid the COVID-19 risks associated with in-person instruction.

General McLane has historically provided residents with above-average education for below-average cost. The district will continue to operate as efficiently as possible without adversely affecting the quality of education provided.

CONTACTING DISTRICT FINANCIAL PERSONNEL

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office at General McLane School District, 11771 Edinboro Road, Edinboro, PA 16412 (814) 273-1033.

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 25,608,129	\$ 35,341	\$ 25,643,470
Taxes Receivable, Net	955,770	-	955,770
Due from Other Governments	5,439,280	22,901	5,462,181
Interfund Receivable	-	351,437	351,437
Other Receivables	168,165	-	168,165
Inventories	-	25,658	25,658
Prepaid Expenses	13,722	-	13,722
Restricted Cash and Investments	2,697,514	-	2,697,514
<u>Total Current Assets</u>	<u>34,882,580</u>	<u>435,337</u>	<u>35,317,917</u>
<u>Capital Assets</u>			
Land	516,402	-	516,402
Building and Building Improvements - Net	21,838,781	-	21,838,781
Furniture and Equipment - Net	2,473,869	180,144	2,654,013
Vehicles - Net	1,654,185	-	1,654,185
<u>Total Capital Assets</u>	<u>26,483,237</u>	<u>180,144</u>	<u>26,663,381</u>
<u>Deferred Outflows</u>			
OPEB	1,253,936	25,591	1,279,527
Pension	7,235,498	147,663	7,383,161
<u>Total Deferred Outflows</u>	<u>8,489,434</u>	<u>173,254</u>	<u>8,662,688</u>
<u>Total Assets and Deferred Outflows</u>	<u>\$ 69,855,251</u>	<u>\$ 788,735</u>	<u>\$ 70,643,986</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 780,762	\$ 11,509	\$ 792,271
Accrued Salaries and Benefits	4,923,316	40,700	4,964,016
Payroll Withholdings	164,180	-	164,180
Accrued Interest Payable	99,300	-	99,300
Interfund Payable	351,437	-	351,437
Bonds Payable - Current	5,000	-	5,000
Current Portion of Compensated Absences	47,140	-	47,140
<u>Total Current Liabilities</u>	<u>6,371,135</u>	<u>52,209</u>	<u>6,423,344</u>
<u>Noncurrent Liabilities</u>			
Bonds Payable, Net of Related Premium	9,987,306	-	9,987,306
OPEB	3,436,074	70,124	3,506,198
Net Pension Liability	48,710,900	994,100	49,705,000
Long-Term Portion of Compensated Absences	1,524,189	-	1,524,189
<u>Total Noncurrent Liabilities</u>	<u>63,658,469</u>	<u>1,064,224</u>	<u>64,722,693</u>
<u>Total Liabilities</u>	<u>70,029,604</u>	<u>1,116,433</u>	<u>71,146,037</u>
<u>Deferred Inflow of Resources</u>			
OPEB	859,455	17,542	876,997
Pension	1,870,820	38,180	1,909,000
Deferred Revenue	13,063	7,385	20,448
<u>Total Deferred Inflow of Resources</u>	<u>2,743,338</u>	<u>63,107</u>	<u>2,806,445</u>
<u>Net Position</u>			
Net Investment in Capital Assets	26,483,237	180,144	26,663,381
Restricted	17,149,110	-	17,149,110
Unrestricted	(46,550,038)	(570,949)	(47,120,987)
<u>Total Net Position</u>	<u>(2,917,691)</u>	<u>(390,805)</u>	<u>(3,308,496)</u>
<u>Total Liabilities, Deferred Inflows and Net Position</u>	<u>\$ 69,855,251</u>	<u>\$ 788,735</u>	<u>\$ 70,643,986</u>

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

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>						
Instruction	\$ 23,291,189	\$ 311,360	\$ 5,738,253	\$ (17,241,576)	\$ -	\$ (17,241,576)
Instructional Student Support	3,961,230	-	655,309	(3,305,921)	-	(3,305,921)
Admin and Financial Support Services	3,032,277	-	287,063	(2,745,214)	-	(2,745,214)
Op and Maintenance of Plant Services	3,351,356	74,393	178,444	(3,098,519)	-	(3,098,519)
Pupil Transportation	1,685,543	-	937,100	(748,443)	-	(748,443)
Student Activities	1,098,306	35,089	85,344	(977,873)	-	(977,873)
Interest on Long Term Debt	96,644	-	-	(96,644)	-	(96,644)
Other Expenditures	6,706	-	-	(6,706)	-	(6,706)
<u>Total Governmental Activities</u>	<u>36,523,251</u>	<u>420,842</u>	<u>7,881,513</u>	<u>(28,220,896)</u>	<u>-</u>	<u>(28,220,896)</u>
<u>Business-Type Activities:</u>						
Food Services	1,150,469	398,413	933,716	-	181,660	181,660
<u>Total Primary Government</u>	<u>\$ 37,673,720</u>	<u>\$ 819,255</u>	<u>\$ 8,815,229</u>	<u>(28,220,896)</u>	<u>181,660</u>	<u>(28,039,236)</u>
<u>General Revenues:</u>						
Property Taxes				12,829,110	-	12,829,110
Other Taxes				2,485,307	-	2,485,307
Grants, Subsidies, and Contributions, Not Restricted				15,428,112	-	15,428,112
Investment Earnings				554,223	-	554,223
Other Income				324,730	-	324,730
Total General Revenues				<u>31,621,482</u>	<u>-</u>	<u>31,621,482</u>
Change in Net Position				3,400,586	181,660	3,582,246
Net Position - Beginning				<u>(6,318,277)</u>	<u>(572,465)</u>	<u>(6,890,742)</u>
Net Position - Ending				<u>\$ (2,917,691)</u>	<u>\$ (390,805)</u>	<u>\$ (3,308,496)</u>

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

GENERAL MCLANE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 18,424,414	\$ 7,196,899	\$ 25,621,313
Investments	2,684,330	-	2,684,330
Interfund Receivables:			
Governmental Funds	-	447,888	447,888
Taxes Receivable	955,770	-	955,770
Due from Other Governments	5,038,492	400,788	5,439,280
Other Receivables	168,165	-	168,165
Prepaid Expenses	4,702	9,020	13,722
<u>Total Assets</u>	\$ 27,275,873	\$ 8,054,595	\$ 35,330,468
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 778,725	\$ 2,037	\$ 780,762
Interfund Payables:			
Governmental Funds	447,888	-	447,888
Proprietary Funds	351,437	-	351,437
Accrued Salaries and Benefits	4,923,316	-	4,923,316
Payroll Withholdings	164,180	-	164,180
<u>Total Liabilities</u>	6,665,546	2,037	6,667,583
 <u>Deferred Inflows of Resources</u>			
Deferred Revenue	783,297	-	783,297
 <u>Fund Balances</u>			
Nonspendable - Prepaid Expenses	4,702	-	4,702
Restricted - Capital Projects	-	8,052,558	8,052,558
Committed:			
Future PSERS Rate Increases	3,500,000	-	3,500,000
Future OPEB Expenses	3,134,965	-	3,134,965
Uncompensated Absences	1,570,500	-	1,570,500
Health Insurance Claims	526,000	-	526,000
Encumbrances	365,087	-	365,087
Unassigned	10,725,776	-	10,725,776
<u>Total Fund Balances</u>	19,827,030	8,052,558	27,879,588
<u>Total Liabilities, Deferred Inflows and Fund Balances</u>	\$ 27,275,873	\$ 8,054,595	\$ 35,330,468

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

GENERAL MCLANE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balances - Governmental Funds \$ 27,879,588

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$84,620,175 and the accumulated depreciation is \$58,136,938. 26,483,237

Property taxes receivable will be collected this year but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the funds. 770,234

Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to OPEB	\$ 1,253,936	
Deferred inflows of resources related to OPEB	(859,455)	
Deferred outflows of resources related to pensions	7,235,498	
Deferred inflows of resources related to pensions	<u>(1,870,820)</u>	5,759,159

Certain 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:

Post employment benefits	\$ (3,436,074)	
Bonds payable and related liabilities	(10,091,606)	
Pension liability	(48,710,900)	
Compensated absences	<u>(1,571,329)</u>	<u>(63,809,909)</u>

Total Net Position - Governmental Activities **\$ (2,917,691)**

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local:			
Real Estate Taxes	\$ 12,837,899	\$ -	\$ 12,837,899
Other Taxes	2,485,307	-	2,485,307
Tuition	311,360	-	311,360
Intermediate Units - Federal Revenue	556,239	-	556,239
Investment Earnings	305,397	248,826	554,223
Other Local Revenue	436,476	-	436,476
State Revenue	18,693,847	-	18,693,847
Federal Revenue	4,059,539	-	4,059,539
<u>Total Revenues</u>	<u>39,686,064</u>	<u>248,826</u>	<u>39,934,890</u>
<u>Expenditures</u>			
Regular Programs	14,597,518	-	14,597,518
Special Programs	5,238,304	-	5,238,304
Vocational Programs	2,134,949	-	2,134,949
Other Instructional Programs	1,116,203	-	1,116,203
Pupil Personnel Services	1,372,944	-	1,372,944
Instructional Staff Services	1,967,427	-	1,967,427
Administrative Services	2,623,013	-	2,623,013
Pupil Health	503,678	-	503,678
Business Services	464,353	-	464,353
Operation & Maintenance of Plant Services	3,415,332	-	3,415,332
Student Transportation Services	1,860,594	-	1,860,594
Other Support Services	52,378	-	52,378
Student Activities	1,144,311	-	1,144,311
Other Expenditures	7,101	-	7,101
Facilities and Building Improvements	3,423,866	684,044	4,107,910
<u>Total Expenditures</u>	<u>39,921,971</u>	<u>684,044</u>	<u>40,606,015</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	(235,907)	(435,218)	(671,125)
<u>Other Financing Sources (Uses)</u>			
Bond Proceeds	9,570,000	-	9,570,000
Bond Premiums	424,962	-	424,962
Interfund Transfers	(260,175)	260,175	-
Sales of Capital Assets	34,404	-	34,404
<u>Total Other Financing Sources (Uses)</u>	<u>9,769,191</u>	<u>260,175</u>	<u>10,029,366</u>
<u>Net Change in Fund Balance</u>	9,533,284	(175,043)	9,358,241
<u>Fund Balance, Beginning of Year</u>	<u>10,293,746</u>	<u>8,227,601</u>	<u>18,521,347</u>
<u>Fund Balance, End of Year</u>	<u>\$ 19,827,030</u>	<u>\$ 8,052,558</u>	<u>\$ 27,879,588</u>

GENERAL MCLANE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balance - Governmental Funds \$ 9,358,241

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

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

Depreciation Expense	\$ (2,271,132)	
Book Loss on Disposals	(280,883)	
Capital Outlays	<u>4,430,696</u>	1,878,681

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount. 8,789

Payments for long term debt, and other related liabilities and expenditures, are recognized as expenses when paid in the governmental funds, but these items are amortized or recorded as a reduction of long term debt in the statement of net position. Proceeds from debt and related liabilities are also recognized as revenues in the governmental funds, but they are recorded as long term liabilities in the statement of net position.

Bond Proceeds and Premiums	\$ (9,994,962)	
Amortization of Bond Premium	2,656	
Changes in Accrued Interest	(99,300)	
Changes in Compensated Absences	<u>93,696</u>	(9,997,910)

On the statement of activities the actual and projected amount of long term expenditures for post employment benefits are reported whereas on the government funds only the actual expenditures are recorded for post employment benefits. (280,868)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. 2,433,653

Change in Net Position of Governmental Activities \$ 3,400,586

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2023

	<u>Food Service</u>
<u>Assets</u>	
<u>Current Assets:</u>	
Cash	\$ 35,341
Due from Other Governments	22,901
Due from General Fund	351,437
Inventories	25,658
<u>Total Current Assets</u>	<u>435,337</u>
<u>Non-Current Assets</u>	
Furniture and Equipment	1,067,653
Less: Accumulated Depreciation	(887,509)
<u>Total Non-Current Assets</u>	<u>180,144</u>
<u>Deferred Outflows</u>	<u>173,254</u>
<u>Total Assets and Deferred Outflows</u>	<u>\$ 788,735</u>
<u>Liabilities</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 11,509
Accrued Payroll	40,700
Deferred Revenue	7,385
<u>Total Current Liabilities</u>	<u>59,594</u>
<u>Long Term Liabilities</u>	
Net OPEB Liability	70,124
Net Pension Liability	994,100
<u>Total Long Term Liabilities</u>	<u>1,064,224</u>
<u>Total Liabilities</u>	<u>1,123,818</u>
<u>Deferred Inflows of Resources</u>	<u>55,722</u>
<u>Net Position</u>	
Invested in Capital Assets	180,144
Unrestricted	(570,949)
<u>Total Net Position</u>	<u>(390,805)</u>
<u>Total Liabilities, Deferred Inflows, and Net Position</u>	<u>\$ 788,735</u>

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

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Food Service</u>
<u>Operating Revenues</u>	
Food Service Revenue	<u>\$ 398,413</u>
 <u>Operating Expenses</u>	
Salaries and Benefits	593,975
Food Milk and Supplies	529,433
Repairs	11,806
Other Operating Expenses	1,543
Depreciation	<u>13,712</u>
 <u>Total Operating Expenses</u>	 <u>1,150,469</u>
 <u>Operating Income (Loss)</u>	 <u>(752,056)</u>
 <u>Non-Operating Revenues (Expenses)</u>	
State Sources	191,728
Federal Sources	<u>741,988</u>
 <u>Total Non-Operating Revenues</u>	 <u>933,716</u>
 <u>Change in Net Position</u>	 181,660
 <u>Total Net Position - July 1, 2022</u>	 <u>(572,465)</u>
 <u>Total Net Position - June 30, 2023</u>	 <u>\$ (390,805)</u>

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Food Service</u>
<u>Cash Flows From Operating Activities</u>	
Cash Received from Users	\$ 398,413
Cash Payments to Employees for Services	(626,237)
Cash Payments to Suppliers for Goods and Services	(450,060)
Cash Payments for Other Operating Expenses	(11,806)
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>(689,690)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
State Sources	148,781
Federal Sources	560,588
<u>Net Cash Provided (Used) By Financing Activities</u>	<u>709,369</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	19,679
<u>Cash and Cash Equivalents - July 1, 2022</u>	15,662
<u>Cash and Cash Equivalents - June 30, 2023</u>	<u>\$ 35,341</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</u>	
<u>Operating Income(Loss)</u>	\$ (752,056)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities:</u>	
Depreciation	13,712
Donated Commodities Used	69,858
<u>Change in Assets and Liabilities:</u>	
(Increase) Decrease in Receivables and Accruals	(13,868)
(Increase) Decrease in Inventories	7,571
Increase (Decrease) in Accounts Payable and Accruals	(14,907)
<u>Total Adjustments</u>	<u>62,366</u>
<u>Cash Provided (Used) by Operating Activities</u>	<u>\$ (689,690)</u>

Noncash Noncapital Financing Activities

During the year, the district received \$68,891 of food commodities from the U.S. Department of Agriculture.

GENERAL MCLANE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of General McLane School District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

REPORTING ENTITY

The General McLane School District operates two elementary schools, one middle school, and one high school in Edinboro, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the school laws of Pennsylvania. The District operates under a locally elected nine-member Board form of government.

In evaluating the school as a reporting entity, the school includes all funds that are controlled or dependent on the School District. Control by or dependence on the School District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District to finance any deficits that may occur or money received for the benefit of the students of General McLane School District. This report presents the activities of General McLane School District and its blended component unit, the General McLane School Foundation. The Foundation issues its own financial statements. A copy can be obtained by contacting the Business Manager at General McLane School District.

The following joint venture is not a component unit of General McLane School District and is not included in this report.

Erie County Area Vocational Technical School (AVTS) is a separate legal entity. The district is also a participant of the Vo-Tech School with ten other Erie County school districts. Each district participating in the joint venture elects one member of the Operating Committee (Joint Board) and is responsible for a portion of the AVTS operating budget, based on the district's total enrollment and the district's share of student enrollment at the Vo-Tech School. The AVTS issues a publicly available financial report, which may be obtained by writing to Erie County Technical School, 8500 Oliver Road, Erie, PA 16509.

Jointly Governed Organization

Erie County Intermediate Unit #5 is a separate legal entity that provides services for fees to participating districts. It was organized by the constituent school districts in Erie County to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the IU5. The district contracts with the IU for services for district students.

BASIS OF PRESENTATION

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the School District as a whole. These statements include financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of the governmental activities of the School District at year end.

The statement of activities presents a comparison between district expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District. Taxes are always general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund financial statements are provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenue and expenses.

MANAGEMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues as soon as they are both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the fiscal period.

The Proprietary Fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for proprietary activity financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

FUND ACCOUNTING

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The *capital projects fund* accounts for transfers from other funds and related investment earnings for capital acquisition or construction of major capital facilities not accounted for in another fund.

The District operates one enterprise fund, the *food service fund*. This fund accounts for the activities of the District's food service program.

The District accounts for assets held by the District in trustee capacity in a *custodial fund*. The District has an Elementary School Trust, which accounts for elementary school students' needs. The District is also including the General McLane Foundation as of June 30, 2023 as a custodial fund, as it has deemed it meets the criteria established by the GASB. The District accounts for assets held as an agent for various student activities in a *custodial fund*.

BUDGET AND BUDGETARY ACCOUNTING

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

Legal budgetary control is maintained at the sub-function major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The Board of School Directors didn't make any supplemental budgetary appropriations throughout the year.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported in the fund financial statements as reservations of fund balances.

OTHER ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

B. INVESTMENTS

Under The Public School Code, the District is permitted to invest its monies as follows:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the FDIC and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political Subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

All investments are reported at fair value. Fair value is determined using selected basis as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates and investments that do not have an established market are reported at estimated fair value.

C. RECEIVABLES AND PAYABLES

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

D. INVENTORIES

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities, whose fair market value is estimated, and purchased commodities and supplies both valued at cost using first-in, first-out (FIFO) method.

E. PREPAID EXPENSES

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

F. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

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

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

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
Building	40	Computer Software	5
Building Improvements	20	Furniture/Equipment	10-20
Land Improvements	20		
Vehicles	8		

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

G. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports deferred outflows of resources for its pension plan and OPEB plan.

In addition to liabilities, the statement of financial 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its pension plan, OPEB plan and grants.

H. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow consumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

I. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. Bond issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. ESTIMATES

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

K. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the controls of the Board of Education and that are either unusual or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ending June 30, 2023.

L. COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it's probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving pay in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees with more than one year of service.

The entire compensated absences liability is reported on the government-wide financial statements. For government funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not recorded.

M. FUND BALANCE REPORTING

The District has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance classifications and the constraints imposed on the uses of those resources.

Nonspendable: This category includes the resources of certain funds and inventories not available for appropriation. The School's nonspendable fund balance consists of prepaid expenses.

Committed items: This category includes items that contain self-imposed constraints of the government from its highest level of decision-making authority. The School Board has committed a portion of the fund balance to pay for future PSERS rate increases, future OPEB expenditures, health claims, uncompensated absences, and for sewage disposal.

Assigned items: Assigned items represent the School Board's intent to use certain resources for assigned purposes.

Unassigned: This represents the remainder of the School Board's equity in governmental fund-type balances. The School does not currently have a minimum fund balance policy. The School policy is that assigned funds will be reduced first and then unassigned amounts for future PSERS rate increases, future OPEB expenditures, health claims, uncompensated absences, and sewage disposal.

N. PENSIONS

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/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.

O. ADOPTION OF NEW GASB STATEMENTS

The District adopted the requirements of GASB Statement Number 96, "Subscription-Based Information Technology Arrangements." The vast majority of the District's IT subscriptions are classified as short-term and, thus, exempt from GASB 96. The District does have a small number of agreements that do meet the requirements, but in aggregate these agreements do not have a material impact on the financial statements. The District has decided to record payments for these agreements as expenditures. All other applicable GASB statements required to be implemented for the current year's financial statements were evaluated and had no effect on the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2023, the District's total deposits were \$25,848,255; \$547,855 of this amount was insured by the FDIC. Balances in the amount of \$25,300,400 were held in collateral by the pledging bank's trust department, but not in the District's name, as required by Pennsylvania law.

Reconciliation to Financial Statements

Bank Balance - Governmental Activities	\$ 25,813,131
Bank Balance - Business-Type (Food Service)	35,124
Plus: Outstanding Deposits	127,264
Less: Outstanding Checks	(318,914)
Carrying Amount - Total	<u>25,656,605</u>
Plus: Petty Cash	50
Less: Restricted cash for employee benefits	<u>(13,185)</u>
Total Cash Per Financial Statements	<u><u>\$ 25,643,470</u></u>

FDIC Insured	\$ 547,855
Collateral held by the pledging bank's trust department not in the District's name	<u>25,300,400</u>
Total Bank Balances	<u><u>\$ 25,848,255</u></u>

Investments

As of June 30, 2023, the District had the following investments:

	<u>Fair Value</u>
<u>Restricted</u>	
CD's Cash Surrender Value Life Insurance - Restricted	\$ 2,684,330
	<u>\$ 2,684,330</u>

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk:

The District places no limit on the amount it may invest in any one issuer. The District has 100% of its total investments in cash surrender value life insurance, all of which is restricted for other post-employment benefits.

NOTE 3 – REAL ESTATE TAXES AND DEFERRED REVENUE

The School District tax rate for the year ended June 30, 2023 was 13.84 mills (\$13.84 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

Levy Date	-	July 1
2% Discount Period	-	July 1 – August 31
Face Payment Period	-	September 1 – October 31
10% Penalty Period	-	November 1 – June 30

The School District allows residents to pay real estate taxes on an installment basis. The total taxes at face can be paid in three monthly installments in August, September, and October.

Real estate assessed values for the school year were as follows:

	<u>Assessable Base</u>
Edinboro Boro	\$422,107,769
Washington Township	\$383,788,211
McKean Township	\$330,894,230
Franklin Township	\$114,228,905
McKean Borough	\$30,211,860

The School District, in accordance with GAAP, recognized the delinquent unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The deferred revenue balance in the general fund partially consists of \$770,234 in deferred real estate taxes.

NOTE 4 – TAX ABATEMENTS AND PILOT

The School District has entered into tax abatement agreements with residential and commercial real estate owners under PILOT (Payment in Lieu of Taxes) and LERTA (Local Economic Revitalization Tax Assistance) programs. For fiscal year ended June 30, 2023, the District received real estate taxes totaling \$34,338 under the PILOT program.

For fiscal year ended June 30, 2023, the District abated real estate taxes totaling \$10,262 under the commercial LERTA program, including the following tax abatement that exceeds 10% of the total amount abated:

- 1. Plyler Enterprises \$10,262

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

Interfund Balance

	Due To	Due From
General Fund	\$ -	\$ 351,437
Enterprise Fund	351,437	-
	\$ 351,437	\$ 351,437
	Due To	Due From
General Fund	\$ -	\$ 447,888
Capital Reserve Fund	447,888	-
	\$ 447,888	\$ 447,888

Interfund receivables and payables are temporary amounts owed between funds. The interfund balance between the general fund and capital reserve is the result of payments for the Erie County Technical School renovation project and other various items. The balance due from general fund to food service is primarily the result of state and federal subsidies that have yet to be transferred. The above amounts will be repaid within the 2023-24 school year.

NOTE 6 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023
<u>Governmental Activities</u>				
<u>Capital Assets, Not Being Depreciated</u>				
Land	\$ 516,402	\$ -	\$ -	\$ 516,402
Total Capital Assets Not Being Depreciated	516,402	-	-	516,402
<u>Capital Assets, Being Depreciated</u>				
Building and Improvements	60,857,771	3,718,669	-	64,576,440
Furniture and Equipment	16,370,082	308,682	(867,821)	15,810,943
Vehicles	3,928,952	403,345	(615,907)	3,716,390
Total Capital Assets Being Depreciated	81,156,805	4,430,696	(1,483,728)	84,103,773
<u>Less: Accumulated Depreciation</u>				
Building and Improvements	(41,281,891)	(1,455,768)	-	(42,737,659)
Furniture and Equipment	(13,434,876)	(518,933)	616,735	(13,337,074)
Vehicles	(2,317,480)	(296,431)	551,706	(2,062,205)
Total Accumulated Depreciation	(57,034,247)	(2,271,132)	1,168,441	(58,136,938)
Capital Assets Being Depreciated, Net	24,122,558	2,159,564	(315,287)	25,966,835
<u>Governmental Activities Capital Assets, Net</u>	\$ 24,638,960	\$ 2,159,564	\$ (315,287)	\$ 26,483,237
<u>Business-Type Activities</u>				
<u>Capital Assets, Being Depreciated</u>				
Food Service	\$ 1,067,653	\$ -	\$ -	\$ 1,067,653
<u>Less: Accumulated Depreciation</u>				
Food Service	(873,797)	(13,712)	-	(887,509)
Business-Type Activities Capital Assets, Net	\$ 193,856	\$ (13,712)	\$ -	\$ 180,144

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

<u>Governmental Activities</u>	
Instruction	\$ 1,635,215
Instructional Student Support	227,113
Administration & Financial Support	68,134
Operations & Maintenance Plant	45,423
Pupil Transportation	295,247
<u>Total Depreciation of Governmental Activities</u>	\$ 2,271,132
<u>Business-Type Activities</u>	
Food Service	\$ 13,712
<u>Total Depreciation - Business-Type Activities</u>	\$ 13,712

NOTE 7 –GENERAL LONG-TERM DEBT

During the year ended June 30, 2023, general long-term debt changed as follows:

	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023	Due in One Year
Governmental Activities					
<u>Bonds Payable</u>					
General Obligation Bonds	\$ -	\$ 9,570,000	\$ -	\$ 9,570,000	\$ 5,000
Bond Premium	-	424,962	(2,656)	422,306	-
<u>Total Bonds Payable</u>	<u>-</u>	<u>9,994,962</u>	<u>(2,656)</u>	<u>9,992,306</u>	<u>5,000</u>
<u>Other Liabilities</u>					
Post Employment Benefits	4,197,244	-	(761,170)	3,436,074	-
Pension Liability	44,661,540	4,049,360	-	48,710,900	-
Compensated Absences	1,665,025	-	(93,696)	1,571,329	47,140
<u>Total Other Liabilities</u>	<u>50,523,809</u>	<u>4,049,360</u>	<u>(854,866)</u>	<u>53,718,303</u>	<u>47,140</u>
<u>Total Long-Term Liabilities</u>	<u>\$ 50,523,809</u>	<u>\$ 14,044,322</u>	<u>\$ (857,522)</u>	<u>\$ 63,710,609</u>	<u>\$ 52,140</u>
Business-Type Activities					
<u>Other Liabilities</u>					
Post Employment Benefits	\$ 85,658	\$ -	\$ (15,534)	\$ 70,124	\$ -
Pension Liability	911,460	82,640	-	994,100	-
<u>Total Long-Term Liabilities</u>	<u>\$ 997,118</u>	<u>\$ 82,640</u>	<u>\$ (15,534)</u>	<u>\$ 1,064,224</u>	<u>\$ -</u>

The future annual payments for all outstanding bonds as of June 30, 2023, including total interest payments are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total Debt Service
2024	\$ 5,000	\$ 397,200	\$ 402,200
2025	335,000	397,000	732,000
2026	350,000	380,250	730,250
2027	370,000	362,750	732,750
2028	385,000	344,250	729,250
2029-43	8,125,000	2,836,400	10,961,400
	<u>\$ 9,570,000</u>	<u>\$ 4,717,850</u>	<u>\$ 14,287,850</u>

General Obligation Bonds, Series of 2023 - On May 15, 2023, the School District issued general obligation bonds in the amount of \$9,570,000. The bonds were issued for various capital projects and to pay the costs of issuance. The bonds bear interest at a rates varying from 4-5% and have principal maturities from May 15, 2024 through May 15, 2043. The balance outstanding at June 30, 2023 was \$9,570,000.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Significant Accounting Policies

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' 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.

Plan Description

General McLane School District contributes to the Public School Employees' Retirement System (PSERS), 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

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

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service. Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service. Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits. 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.

Member Contributions

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% 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 \$5,599,161 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$49,705,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.1118% percent, which was an increase of 0.0008% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$3,169,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 1,484,000	\$ -
Net difference between projected and actual investment earnings	-	844,000
Difference between expected and actual experience	23,000	430,000
Changes in proportion	277,000	635,000
Contributions subsequent to the measurement date	5,599,161	-
	<u>\$ 7,383,161</u>	<u>\$ 1,909,000</u>

\$5,599,161 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ (200,000)
2024	101,000
2025	(1,203,000)
2026	1,177,000
Total	<u>\$ (125,000)</u>

Changes in Actuarial Assumptions

The Total Pension Liability as of June 30, 2022 was determined by rolling forward the System's Total Pension Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and 2021
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:

- o Salary growth rate - decreased from 5.00% to 4.50%.
- o Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- o Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience, and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

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

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

Discount Rate

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

Sensitivity Of The School’s Proportionate Share of the Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7%, 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%) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
School's proportionate share of the net pension liability	\$ 64,290,000	\$ 49,705,000	\$37,408,000

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.pa.gov.

NOTE 9 – COMPENSATED ABSENCES

Vacation

School District employees who are required to work on an eleven month or twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation must be used by June 30th of each fiscal year.

Sick Leave

Most School district employees are credited with ten to twelve sick days annually. Upon retirement, teachers with fifteen years of service with the District may be paid \$110 per day for unused sick days earned and accrued within the District with no maximum. Full time supervisors with fifteen years of service with the District may be paid \$55 per day for unused sick days earned and accrued within the District with no maximum. Full time salaried support staff with fifteen years of service are paid \$55 per day for each unused sick day with a maximum of \$5,500. Bus drivers with fifteen years of service are paid \$25 per day for each unused sick day with a maximum of \$1,500.

Current accumulated leaves are recorded as expenditures in the period taken. Termination compensation payable in future years is recorded as compensated absences. At June 30, 2023, the total liability (current and noncurrent) for compensated absences was \$ 1,571,329.

NOTE 10 – OPEB – DISTRICT PROGRAM

Plan Description

In addition to the pension benefits described in Note 8, the School provides other post-employment health, dental, vision, prescription, and life insurance benefits to its retirees. The District subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because,

Plan Membership

As of June 30, 2022 (the measurement date), the following employees were covered by the benefit terms:

Active employees	223
Inactive employees currently receiving benefits	<u>23</u>
	<u>246</u>

Contributions

Contribution requirements are negotiated between the School and union representatives. Currently the School contributes 100% of the cost of the healthcare plans. The Plan is financed on a pay-as-you-go basis.

The District purchased life insurance policies on all employees eligible for the early retirement plan with salaries over \$44,000. The District is the beneficiary on these policies and will use the death benefits to fund the early retirement plan. The cash surrender value of these policies was \$2,684,330 as of June 30, 2023.

A reserve of the District's General Fund Balance equal to the cash surrender value of the life insurance policies has been provided at June 30, 2023. This amount is shown as restricted cash and investments on the government-wide statement of net assets.

OPEB Liability

At June 30, 2023, the School reported a liability of \$1,446,198 for its share of the OPEB liability. The net OPEB liability was measured as of June 30, 2021 and rolled forward to June 30, 2022 in order to determine the net OPEB liability.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: 4.09% Based on the Bond Buyer 20-Bond General Obligation Index

Salary increases: Effective average of 5% per annum, compounded annually. The components are 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases.

Mortality Rates were assumed in accordance with the Society of Actuaries Pri-2012 table and projected to the valuation date using mortality Improvement scale MP-2021.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$1,446,198, all of which is unfunded.

The total OPEB Liability is related to both governmental and business-type funds and is recorded in the governmental and business-type activities in the government wide statement of net position.

The District's change in its total OPEB Liability for the year ended June 30, 2023 was as follows:

Changes to OPEB Liability	
Service Cost	\$187,951
Interest	37,884
Difference between expected and actual experience	177,269
Changes of assumptions or other input	(323,827)
Benefit payments	(285,981)
Net change in total OPEB Liability	(206,704)
Total OPEB Liability - June 30, 2022	1,652,902
Total OPEB Liability - June 30, 2023	<u>\$ 1,446,198</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources - OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$185,143. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ 189,217	327,997
Differences between expected and actual	689,868	-
Total	<u>\$ 879,085</u>	<u>\$ 327,997</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2023	\$ 62,313
2024	62,313
2025	62,313
2026	62,313
2027-2034	<u>\$ 301,835</u>

Discount Rate

The discount rate used to measure the OPEB liability was 2.18%. The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	1% Increase 5.09%	Current Rate 4.09%	1% Decrease 3.09%
Net OPEB Liability	\$1,419,616	\$1,446,198	\$1,472,746

Sensitivity of Net OPEB Liability to Changes in the Healthcare

Not applicable since the benefit liability is based on accumulated sick days.

NOTE 11 – OPEB – PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

Significant Accounting Policies

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

Health Insurance Premium Assistance Program

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, 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, 2022 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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

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

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.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$122,395 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,060,000 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, 2021 to June 30, 2022. 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, 2023, the District’s proportion was 0.1119 percent, which was an increase of 0.0009 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$57,000. At June 30, 2023, 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
Difference between expected and actual experience	\$ 19,000	\$ -
Changes of assumptions	229,000	35,000
Net Difference between projected and actual investment earning	6,000	-
Changes in proportion	24,000	63,000
District contributions subsequent to the measurement date	122,442	-
Total	\$ 400,442	\$ 98,000

\$122,442 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (55,000)
2024	(41,000)
2025	(51,000)
2026	(61,000)
2027	(64,000)
	\$ (272,000)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.5%, comprised of inflation of 2.5% and 2.0% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.

- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%
	<u>100.00%</u>	

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. 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 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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 System net OPEB liability for June 30, 2022, 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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 2,060,000	\$ 2,060,000	\$ 2,060,000

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease (3.09%)</u>	<u>Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
District's proportionate share of net OPEB liability	\$2,329,000	\$2,060,000	\$1,834,000

OPEB Plan Fiduciary Net Position

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

NOTE 12 – SELF-INSURANCE PLAN

The District’s self-insurance plan (the Plan) pays dental, accident, vision, and health insurance coverage for District employees. Retired employees are also covered by the plan provided they pay a monthly premium to the District. The District contributed \$1,300 per month per covered employee to the Plan. Claims were paid by a third-party administrator acting on behalf of the District. The District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Aetna. Stop-loss coverage was in effect for individual claims exceeding \$90,000 with an annual aggregate loss of \$1,000,000 and unlimited per lifetime.

The claims liability of \$1,135,623, included in accrued liabilities of the general fund at June 30, 2023, is based on the requirements of Governmental Accounting Standards Board (GASB) No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. The above liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on inflation, changes in legal doctrines and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Changes in claims liability are as follows:

Claims liability - June 30, 2022	\$ 608,600
Current year claims incurred	5,681,327
Claim payments	<u>(5,154,304)</u>
Claims liability - June 30, 2023	<u>\$ 1,135,623</u>

NOTE 13 – NOTE PURCHASE AGREEMENT

The District entered into an agreement with Home Rule Township of Washington, whereas the District intends to purchase Guaranteed Revenue Term Notes that the Township intends to issue in the amount of \$1,500,000. The Township will use the proceeds of the notes to finance the costs associated with a sewer extension along Route 99 in the Township of Washington. The interest rate the Township will pay the District on these Notes shall be 1% per annum compounded monthly from the first disbursement date until the earlier of the date of completion of the project or December 31, 2014. The interest rate then varies every 5 years until maturity in 20 years. Interest is payable on the first day of each quarter, commencing on the first day of the first quarter following the first disbursement date. The remaining balance was \$400,788 as of June 30, 2023.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damages to, and destruction of assets. The District has purchased various insurance policies to safeguard its assets from risk of loss. There have been no significant reductions in coverage from prior year and in the past three years settlements have not exceeded insurance coverage.

NOTE 15 – LITIGATION

The District is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Management believes that any liability arising from such claims would be immaterial to the financial statements.

NOTE 16 – CONTINGENT LIABILITIES

Grant Programs

The School District participates in federally 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 expenditures, 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.

NOTE 18 – SUBSEQUENT EVENTS

There were no subsequent events that needed to be disclosed in the financial statements. These financial statements considered subsequent events through December 5, 2023, the date the financial statements were available to be issued.

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES
COMPARED WITH BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Local:				
Real Estate Taxes	\$ 12,768,472	\$ 12,768,472	\$ 12,837,899	\$ 69,427
Other Taxes	1,961,245	1,961,245	2,485,307	524,062
Tuition	325,389	325,389	311,360	(14,029)
Intermediate Units - Federal Revenue	423,429	423,429	556,239	132,810
Investment Earnings	25,000	25,000	305,397	280,397
Other Local Revenue	112,428	112,428	436,476	324,048
State Revenue	17,948,502	17,948,502	18,693,847	745,345
Federal Revenue	712,000	712,000	4,059,539	3,347,539
<u>Total Revenues</u>	34,276,465	34,276,465	39,686,064	5,409,599
<u>Expenditures</u>				
Regular Programs	15,015,518	15,135,234	14,597,518	537,716
Special Programs	5,413,716	5,413,716	5,238,304	175,412
Vocational Programs	1,249,975	1,249,975	2,134,949	(884,974)
Other Instructional Programs	549,177	549,177	1,116,203	(567,026)
Pupil Personnel Services	1,382,968	1,380,968	1,372,944	8,024
Instructional Staff Services	1,935,176	1,956,810	1,967,427	(10,617)
Administrative Services	2,223,866	2,223,866	2,623,013	(399,147)
Pupil Health	490,870	489,082	503,678	(14,596)
Business Services	491,374	491,374	464,353	27,021
Operation & Maintenance of Plant Services	3,374,967	3,440,691	3,415,332	25,359
Student Transportation Services	2,325,189	1,909,500	1,860,594	48,906
Other Support Services	52,000	52,000	52,378	(378)
Student Activities	1,089,416	1,128,601	1,144,311	(15,710)
Other Expenditures	-	-	7,101	(7,101)
Debt Service	755,233	513,986	-	513,986
Facilities and Building Improvements	-	564,465	3,423,866	(2,859,401)
Budgetary Reserves	150,000	-	-	-
<u>Total Expenditures</u>	36,499,445	36,499,445	39,921,971	(3,422,526)
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	(2,222,980)	(2,222,980)	(235,907)	1,987,073
<u>Other Financing Sources (Uses)</u>				
Bond Proceeds	-	-	9,570,000	9,570,000
Bond Premiums	-	-	424,962	424,962
Interfund Transfers	(280,000)	(280,000)	(260,175)	19,825
Sales of Capital Assets	-	-	34,404	34,404
<u>Total Other Financing Sources (Uses)</u>	(280,000)	(280,000)	9,769,191	10,049,191
<u>Net Change in Fund Balance</u>	\$ (2,502,980)	\$ (2,502,980)	\$ 9,533,284	\$ 12,036,264

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1119%	0.1110%	0.1124%	0.1149%	0.1146%	0.1142%	0.1132%	0.1121%	0.1139%	0.1102%
District's proportionate share of the net pension liability	\$ 49,705,000	\$ 45,573,000	\$ 54,212,000	\$ 53,753,000	\$ 55,014,000	\$ 56,402,000	\$ 56,098,000	\$ 48,557,000	\$ 45,083,000	\$ 45,112,000
District's covered payroll	\$ 16,449,155	\$ 15,731,417	\$ 15,798,621	\$ 15,851,114	\$ 15,433,570	\$ 15,198,899	\$ 14,656,367	\$ 14,421,684	\$ 14,539,279	\$ 14,147,278
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	302.17%	289.69%	343.14%	339.11%	356.46%	371.09%	382.76%	336.69%	310.08%	318.87%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

Notes to Schedule:

The data provided in this schedule is based as of the measurement date of PSERS' net pension liability, which is as of the beginning of the District's fiscal year.

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TO THE DISTRICT PENSION PLAN
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,599,161	\$ 5,574,132	\$ 5,275,821	\$ 5,250,903	\$ 5,167,463	\$ 4,898,615	\$ 4,438,079	\$ 3,664,092	\$ 2,956,445	\$ 2,326,285
Contributions in relation to the Contractually required contribution	5,599,161	5,574,132	5,275,821	5,250,903	5,167,463	4,898,615	4,438,079	3,664,092	2,956,445	2,326,285
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 16,319,326	\$ 16,449,155	\$ 15,731,417	\$ 15,798,621	\$ 15,851,114	\$ 15,433,570	\$ 15,198,899	\$ 14,656,367	\$ 14,421,684	\$ 14,539,279
Contributions as a percentage of covered employee payroll	34.31%	33.99%	33.54%	33.24%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

The accompanying notes are an integral part of this statement.

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
RETIREES HEALTH PLAN - GENERAL MCLANE
JUNE 30, 2023

	2023	2022	2021	2020
Total OPEB Liability				
Service Cost	\$ 187,951	\$ 296,350	\$ 159,013	\$ 182,672
Interest	37,884	46,667	42,698	52,197
Change in assumptions or other inputs	(323,827)	15,309	219,259	12,092
Difference between expected and actual experience	177,269	-	483,333	-
Benefit payments	(285,981)	(374,883)	(393,536)	(375,775)
Net Change in total OPEB Liability	(206,704)	(16,557)	510,767	(128,814)
Total OPEB Liability - beginning	1,652,902	1,669,459	1,158,692	1,287,506
Total OPEB Liability - ending	<u>\$ 1,446,198</u>	<u>\$ 1,652,902</u>	<u>\$ 1,669,459</u>	<u>\$ 1,158,692</u>
Covered-employee payroll	13,735,433	12,695,992	12,214,743	13,741,855
Total OPEB liability as a percentage of Covered-Employee Payroll	10.53%	13.02%	13.67%	8.43%

Notes to Schedule:

Changes of benefit terms - Each year's loss or gain is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - PSERS PLAN
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.1110%	0.1110%	0.1124%	0.1149%	0.1146%	0.1142%
District's proportionate share of the net OPEB liability	\$ 2,060,000	\$ 2,630,000	\$ 2,383,000	\$ 2,444,000	\$ 2,389,000	\$ 2,327,000
District's covered payroll	16,449,155	15,731,417	15,798,621	15,851,114	15,433,570	15,198,899
District's proportionate share of the net OPEB liability	13%	17%	15%	15%	15%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.47%

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 122,395	\$ 131,593	\$ 128,998	\$ 132,708	\$ 131,564	\$ 128,099
Contributions in relation to the contractually required contribution	122,395	131,593	128,998	132,708	131,564	128,099
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 16,319,326	\$ 16,449,155	\$ 15,731,417	\$ 15,798,621	\$ 15,851,114	\$ 15,433,570
Contributions as a percentage of covered employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%

GENERAL MCLANE SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Elementary Activities	Middle School Activities	High School Activities	GM Foundation	Total Custodial Funds
<u>Assets</u>					
Cash	\$ 4,398	\$ 52,266	\$ 65,901	\$ 196,049	\$ 318,614
Investments	-	-	-	759,958	759,958
Accounts Receivable	-	-	-	6,139	6,139
<u>Total Assets</u>	<u>\$ 4,398</u>	<u>\$ 52,266</u>	<u>\$ 65,901</u>	<u>\$ 962,146</u>	<u>\$ 1,084,711</u>
<u>Net Position</u>					
Restricted	\$ 4,398	\$ 52,266	\$ 65,901	\$ 962,146	\$ 1,084,711
<u>Total Net Position</u>	<u>\$ 4,398</u>	<u>\$ 52,266</u>	<u>\$ 65,901</u>	<u>\$ 962,146</u>	<u>\$ 1,084,711</u>

GENERAL MCLANE SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Elementary Activities	Middle School Activities	High School Activities	GM Foundation	Total Custodial Funds
<u>Additions</u>					
Local Collections	\$ 1,997	\$ 146,157	\$ 82,166	\$ 100,394	\$ 330,714
Investment Income (Net)	-	-	-	57,729	57,729
<u>Total Additions</u>	1,997	146,157	82,166	158,123	388,443
<u>Deductions</u>					
Collections Disbursed	2,889	153,023	63,763	-	219,675
Program Expenses	-	-	-	30,838	30,838
Administrative Expenses	-	-	-	3,199	3,199
Fundraising Expenses	-	-	-	34,835	34,835
<u>Total Deductions</u>	2,889	153,023	63,763	68,872	288,547
<u>Change in Net Position</u>	(892)	(6,866)	18,403	89,251	99,896
<u>Total Net Position July 1, 2022</u>	5,290	59,132	47,498	872,895	984,815
<u>Total Net Position June 30, 2023</u>	\$ 4,398	\$ 52,266	\$ 65,901	\$ 962,146	\$ 1,084,711

**GENERAL MCLANE SCHOOL DISTRICT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Project Title	Source Code	Assistance Listing Number	Pass Through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received For the Year	Accrued or (Deferred) Revenue at 1-Jul-22	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 30-Jun-23
<u>U.S. Department of Education</u>										
Passed through the Pennsylvania Dept of Education										
Title I - Improving Basic Programs	I	84.010	013-220163	07/01/21-09/30/22	\$ 398,515	\$ 30,787	\$ 62,995	\$ -	\$ -	\$ 32,208
Title I - Improving Basic Programs	I	84.010	013-230163	07/01/22-09/30/23	345,886	230,594	-	289,111	289,111	58,517
Title II - Improving Teacher Quality	I	84.367	020-210163	07/01/20-09/30/22	62,272	12,453	12,453	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-220163	07/01/21-09/30/22	61,450	44,503	14,503	30,000	30,000	-
Title II - Improving Teacher Quality	I	84.367	020-230163	07/01/22-09/30/23	55,180	43,757	-	36,012	36,012	(7,745)
Title IV - Student Support & Academic Enrichment	I	84.424	144-220163	07/01/21-09/30/22	24,817	18,203	(6,614)	24,817	24,817	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-230163	07/01/22-09/30/23	28,040	8,904	-	28,040	28,040	19,136
COVID-19 IDEA - B	I	84.027	252-200163	07/01/20-09/30/22	15,208	-	(5,318)	5,318	5,318	-
COVID-19 ARP ESSER	I	84.425U	181-212534	03/13/20-09/30/24	6,423	988	(494)	643	643	(839)
COVID-19 ARP ESSER	I	84.425U	223-210163	03/13/20-09/30/24	2,464,889	224,082	1,328	2,057,277	2,057,277	1,834,523
COVID-19 ARP ESSER	I	84.425U	225-210163	03/13/20-09/30/24	191,577	69,664	(5,000)	74,664	74,664	-
COVID-19 ESSER II	I	84.425D	200-210163	03/13/20-09/30/23	1,218,612	425,097	148,121	957,132	957,132	680,156
Passed through the Northwest Intermediate Unit #13										
IDEA - B	I	84.027	062-220033	07/01/21-06/30/22	10,000	10,000	10,000	-	-	-
Passed through the Northwest Intermediate Unit #23										
IDEA - B	I	84.027	062-220033	01/21/22-06/30/23	15,000	5,000	5,000	10,000	10,000	10,000
Passed through the Northwest Intermediate Unit #5										
IDEA - B	I	84.027	062-220005	07/01/21-06/30/22	433,038	433,038	433,038	-	-	-
IDEA - Section 619	I	84.173A	131-220005	07/01/21-06/30/22	5,159	5,159	5,159	-	-	-
IDEA - B	I	84.027	062-230005	07/01/22-06/30/23	456,837	-	-	456,837	456,837	456,837
IDEA - Section 619	I	84.173A	131-220005	07/01/22-06/30/23	2,610	-	-	2,610	2,610	2,610
COVID-19 IDEA - B	I	84.027X	062-220005	07/01/22-06/30/23	86,792	86,792	-	86,792	86,792	-
<u>Total Department of Education</u>						<u>1,649,021</u>	<u>675,171</u>	<u>4,059,253</u>	<u>4,059,253</u>	<u>3,085,403</u>
<u>Federal Communications Commission</u>										
Passed through the Universal Service Administrative Company										
COVID-19 Emergency Connectivity Fund Program	I	32.009	202-102653	07/01/21-06/30/24	635,000	259,875	-	259,875	259,875	-
<u>U.S. Department of Health and Human Services</u>										
Passed through the Pennsylvania Dept of Public Welfare										
Medical Assistance - Access - Admin	I	93.778	44-007163	07/01/22-06/30/23	-	45,826	31,920	38,260	38,260	24,354
<u>U.S. Department of Agriculture</u>										
Passed through the Pennsylvania Dept of Education										
COVID-19 P-EBT Administrative Costs Grant	I	10.649	358	07/01/22-06/30/23	N/A F	628	-	628	628	-
National School Lunch Program	I	10.555	356	07/01/22-06/30/23	N/A F	62,127	-	62,127	62,127	-
National School Lunch Program	I	10.555	362	07/01/22-06/30/23	N/A F	501,792	32,056	484,373	484,373	14,637
National School Breakfast Program	I	10.553	365	07/01/22-06/30/23	N/A F	127,420	5,937	125,969	125,969	4,486
Food Nutrition Service	I	N/A	510	07/01/22-06/30/23	N/A S	22,480	843	22,306	22,306	669
Food Nutrition Service	I	N/A	511	07/01/22-06/30/23	N/A S	7,496	228	7,542	7,542	274
State Breakfast Initiative	I	N/A	521	07/01/22-06/30/23	N/A S	69,784	-	72,619	72,619	2,835
Passed through the Pennsylvania Dept of Agriculture										
Value of USDA Donated Comm.	I	10.555	N/A	07/01/22-07/01/23	N/A	68,891	(a) 3,013	(b) 69,859	69,859	(c) 2,045
<u>Total Department of Agriculture</u>						<u>860,618</u>	<u>42,077</u>	<u>845,423</u>	<u>845,423</u>	<u>24,946</u>
<u>Total Federal Awards</u>						<u>\$ 2,815,340</u>	<u>\$ 749,168</u>	<u>\$ 5,202,811</u>	<u>\$ 5,202,811</u>	<u>\$ 3,134,703</u>

Source Codes:
I-Indirect Funding
D-Direct Funding
F-Federal Share
S-State Share

Footnotes:
a) Total amount of commodities received from Department of Agriculture
b) Beginning inventory at July 1, 2022
c) Total amount of commodities used
d) Ending inventory at June 30, 2023 (a + b - c = d)

Identification of Major Program Rule:

Total Expenditures	\$ 5,202,811
Less State Exp - Food Nutrition	102,467
Total Federal Expenditures	<u>\$ 5,100,344</u>
Programs selected for testing:	
ESSER	\$ 3,089,716
Total Programs Selected for testing:	<u>\$ 3,089,716</u> = 61%

The accompanying notes are an integral part of this statement.

GENERAL MCLANE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) where in certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. For purposes of charging indirect costs to federal awards, the School has not elected to use the 10% de minimis cost rate.

NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the organization had food commodities totaling \$2,045 in inventory.

NOTE 4 – FEDERAL REVENUE

The funds passed through the Northwestern Tri-County Intermediate Unit are required to be reported as local revenue per Pennsylvania Department of Education Guidelines and are reported as local on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

NOTE 5 – SUBRECIPIENT FUNDS

There were no funds passed through to subrecipients from any federal programs.



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

Board of Directors
General McLane School District
Edinboro, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of General McLane School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise General McLane School District's basic financial statements, and have issued our report there on dated December 5, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the General McLane 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Busseck, Barger, Bleil & Co. Inc.

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Erie, Pennsylvania



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Independent Auditor's Report on Compliance For
Each Major Program and on Internal Control Over Compliance
Required By the Uniform Guidance

Board of Directors
General McLane School District
Edinboro, PA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited General McLane School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of General McLane School District's major federal programs for the year ended June 30, 2023. General McLane 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, General McLane School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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 section of our report.

We are required to be independent of General McLane 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 General McLane School District's compliance with the compliance requirements referred to above.

Management's Responsibilities

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 General McLane School District's federal programs.

Auditor's Responsibilities

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 General McLane 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 General McLane School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding General McLane 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 General McLane 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 General McLane 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 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 purposes described in the Auditor's Responsibilities section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal controls over compliance may exist that have not been identified.

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

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

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

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

Any findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes X No

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
84.425	ESSER

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

- Auditee qualified as low-risk auditee? X Yes _____ No
- Were there prior year audit findings? _____ Yes X No

Findings Related to the Financial Statements

There were no findings which were required to be reported for the year ended June 30, 2023.

Findings and Questioned Costs for Major Federal Award Programs Audit

There were no findings which were required to be reported for the year ended June 30, 2023.