

FANNETT-METAL SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 4
------------------------------	-------

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	5 - 6
Statement of Activities	7

Fund Financial Statements:

Balance Sheet - Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12 - 14
Statement of Net Position - Proprietary Fund - Food Service	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund - Food Service	16
Statement of Cash Flows - Proprietary Fund - Food Service	17 - 18
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position - Scholarship Trust Fund	20
Notes to Financial Statements	21 - 57

CONTENTS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of the District's Proportionate Share of the Net Pension Liability	58
Schedules of District's Pension Contributions	59
Schedule of Changes in OPEB Liability and Related Ratios - District's Single Employer Plan	60
Schedule of District's Proportionate Share of the Net OPEB Liability - PSERS Cost Sharing Plan	61
Schedule of District's OPEB Contributions - PSERS Cost Sharing Plan	62

SUPPLEMENTARY INFORMATION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	63 - 64
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance as Required by the Uniform Guidance	65 - 67
Scheduled of Findings and Questioned Costs	68 - 70
Schedule of Expenditures of Federal Awards	71 - 72
Notes to Schedule of Expenditures of Federal Awards	73
Summary Schedule of Prior Year's Audit Findings	74
Corrective Action Plan	75

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
 Fannett-Metal School District
 Willow Hill, Pennsylvania

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

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

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Capital Projects Fund	Unmodified
Food Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the District, as of June 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-Type Activity, Each Major Fund and Aggregate Remaining Fund Information

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

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the District's legally separate component unit, the Fannett-Metal Education Foundation. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. The effects of not including the District's legally separate component unit on the aggregate discretely presented component unit has not been determined.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Management has omitted Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of the Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Fitter". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania
November 21, 2023

FANNETT-METAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 4,967,191	\$ 50,249	\$ 5,017,440
Receivables			
Taxes - net of allowance for uncollectibles	205,512	-	205,512
Federal subsidies	164,829	-	164,829
State subsidies	257,105	-	257,105
Other	4,150	30	4,180
Due from other governments	12,157	-	12,157
Inventories	-	11,274	11,274
Prepaid expenses	1,186	-	1,186
Capital Assets			
Land	668,580	-	668,580
Construction-in-progress	5,606	-	5,606
Other capital assets - net of depreciation	4,798,620	27,200	4,825,820
Total capital assets	5,472,806	27,200	5,500,006
Total assets	11,084,936	88,753	11,173,689
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on pension liability	1,430,000	29,000	1,459,000
Deferred amounts on OPEB liabilities	130,048	2,978	133,026
Total deferred outflows of resources	1,560,048	31,978	1,592,026
Total assets and deferred outflows of resources	\$ 12,644,984	\$ 120,731	\$ 12,765,715

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activity	Total
LIABILITIES			
Accounts payable	\$ 21,685	\$ 348	\$ 22,033
Accrued salaries and benefits	630,746	-	630,746
Payroll withholdings	498	-	498
Unearned revenue	85,804	17,174	102,978
Long-term liabilities			
Compensated absences	162,623	-	162,623
Net pension liability	9,585,000	196,000	9,781,000
Other post-employment benefit liabilities	576,246	12,793	589,039
Total long-term liabilities	10,323,869	208,793	10,532,662
Total liabilities	11,062,602	226,315	11,288,917
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts on pension liability	401,000	8,000	409,000
Deferred amounts on OPEB liabilities	403,421	9,869	413,290
Total deferred inflows of resources	804,421	17,869	822,290
NET POSITION			
Net investment in capital assets	5,472,806	27,200	5,500,006
Restricted			
Capital projects	980,830	-	980,830
Unrestricted	(5,675,675)	(150,653)	(5,826,328)
Total net position	777,961	(123,453)	654,508
Total liabilities, deferred inflows of resources and net position	\$ 12,644,984	\$ 120,731	\$ 12,765,715

FANNETT-METAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities:							
Instructional	\$ 5,244,952	\$ 2,908	\$ 1,875,741	\$ -	\$ (3,366,303)	\$ -	\$ (3,366,303)
Instructional student support	762,594	-	225,086	40,617	(496,891)	-	(496,891)
Administration and financial support	980,578	-	108,204	-	(872,374)	-	(872,374)
Operation and maintenance of plant services	670,729	120	35,347	12,347	(622,915)	-	(622,915)
Pupil transportation	486,347	-	255,756	-	(230,591)	-	(230,591)
Student activities	173,571	21,440	53,991	-	(98,140)	-	(98,140)
Facilities acquisition, construction and improvement services	-	-	-	1,179,848	1,179,848	-	1,179,848
Total governmental activities	8,318,771	24,468	2,554,125	1,232,812	(4,507,366)	-	(4,507,366)
Business-Type Activity:							
Food service	305,106	26,410	261,348	-	-	(17,348)	(17,348)
Total School District	\$ 8,623,877	\$ 50,878	\$ 2,815,473	\$ 1,232,812	\$ (4,507,366)	\$ (17,348)	\$ (4,524,714)
General Revenues and Transfers:							
Property taxes, levied for general purposes, net					\$ 2,988,555	\$ -	\$ 2,988,555
Public utility, realty transfer, earned income and per capita taxes for general purposes, net					612,584	-	612,584
Grants, subsidies and contributions					2,744,583	-	2,744,583
Earnings on investments					151,048	316	151,364
Miscellaneous income					11,025	-	11,025
Total general revenues and transfers					6,507,795	316	6,508,111
Changes in net position					2,000,429	(17,032)	1,983,397
Net Position - July 1, 2022					(1,222,468)	(106,421)	(1,328,889)
Net Position - June 30, 2023					\$ 777,961	\$ (123,453)	\$ 654,508

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,986,361	\$ 980,830	\$ 4,967,191
Receivables			
Taxes - net of allowance for uncollectibles	205,512	-	205,512
Federal subsidies	164,829	-	164,829
State subsidies	257,105	-	257,105
Intergovernmental	12,157	-	12,157
Other	4,150	-	4,150
Prepaid expense	1,186	-	1,186
Total assets	\$ 4,631,300	\$ 980,830	\$ 5,612,130
LIABILITIES			
Accounts payable	\$ 21,685	\$ -	\$ 21,685
Accrued salaries and benefits	630,746	-	630,746
Payroll withholdings	498	-	498
Unearned revenue	85,804	-	85,804
Total liabilities	738,733	-	738,733
DEFERRED INFLOWS OF RESOURCES			
Unavailable tax revenue	109,373	-	109,373
FUND BALANCES			
Nonspendable			
Prepaid expenditures	1,186	-	1,186
Restricted			
Capital projects	-	980,830	980,830
Committed			
Future healthcare benefits	575,000	-	575,000
Future retirement increases	550,000	-	550,000
Future capital projects	652,000	-	652,000
Future technology	150,000	-	150,000
Future payout of sick leave balances	37,425	-	37,425
Future instructional materials	50,000	-	50,000
Future food service fund transfers	50,000	-	50,000
Stabilization fund to offset future grant reductions	637,000	-	637,000
Assigned			
Future athletic activities	18,632	-	18,632
Unassigned	1,061,951	-	1,061,951
Total fund balances	3,783,194	980,830	4,764,024
Total liabilities, deferred inflows of resources and fund balances	\$ 4,631,300	\$ 980,830	\$ 5,612,130

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

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

June 30, 2023

Total fund balances - governmental funds	\$ 4,764,024
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources; therefore, they are not reported as assets in governmental funds. The cost of capital assets is \$9,619,111, and the accumulated depreciation is \$4,146,305.</p>	5,472,806
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures; therefore, they are deferred inflows of resources in the funds.</p>	109,373
<p>Deferred inflows and outflows of resources related to pensions are applicable to future periods; therefore, they are not reported within the funds. Deferred inflows and outflows related to pensions are as follows:</p>	
Deferred inflows	(401,000)
Deferred outflows	1,430,000
<p>Deferred inflows and outflows of resources related to OPEB are applicable to future periods; therefore, they are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows:</p>	
Deferred inflows	(403,421)
Deferred outflows	130,048
<p>Long-term liabilities, including bonds payable, compensated absences, net pension liabilities and other post-employment benefits, are not due and payable in the current period; therefore, they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Compensated absences	(162,623)
Net pension liability	(9,585,000)
Other post-employment benefits	(576,246)
	(10,323,869)
Total net position - governmental activities	\$ 777,961

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	General	Capital Projects	Total Governmental Funds
Revenues			
Local sources	\$ 3,908,296	\$ 28,100	\$ 3,936,396
State sources	4,133,666	-	4,133,666
Federal sources	2,245,408	-	2,245,408
Total revenues	10,287,370	28,100	10,315,470
Expenditures			
Instructional	5,465,347	-	5,465,347
Support services	2,981,336	-	2,981,336
Operation of non-instructional services	180,342	-	180,342
Construction/improvement services	1,232,974	-	1,232,974
Total expenditures	9,859,999	-	9,859,999
Excess of revenues over expenditures	427,371	28,100	455,471
Other Financing Sources			
Proceeds from sales of capital assets	836	-	836
Total other financing sources	836	-	836
Net changes in fund balances	428,207	28,100	456,307
Fund Balances - July 1, 2022	3,354,987	952,730	4,307,717
Fund Balances - June 30, 2023	\$ 3,783,194	\$ 980,830	\$ 4,764,024

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net changes in fund balances - governmental funds	\$ 456,307
--	-------------------

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the period.

Capital outlays	1,230,044	
Less depreciation expense	(206,557)	1,023,487

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.	(27,059)
--	----------

Because some property taxes will not be collected for several months after the fiscal year-end, they are not considered as "available" revenues in the funds. Deferred property taxes increased by this amount this year.	2,893
---	-------

Governmental funds report District pension and OPEB contributions as However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.

District pension and OPEB contributions (PSERS)	1,118,000
Cost of benefits earned - net of employee contributions (PSERS)	(564,800)

Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.

Change in compensated absences	9,142
Repayment of capital lease obligations	(17,541)

Change in net position - governmental activities	\$ 2,000,429
---	---------------------

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2023**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local sources			
Real estate taxes	\$ 2,835,934	\$ 2,869,458	\$ 33,524
Public utility realty tax	3,300	3,345	45
Payments in lieu of taxes	14,390	14,392	2
Per capita taxes	13,600	13,678	78
Occupation tax	13,600	13,678	78
Earned income tax	410,000	496,649	86,649
Real estate transfer taxes	60,000	81,605	21,605
Delinquent real estate taxes	130,000	101,812	(28,188)
Delinquent per capita taxes	2,000	3,630	1,630
Earnings on investments	1,500	122,948	121,448
Revenues from District activities	19,810	24,068	4,258
Intermediary sources (pass-through funds)			
IDEA, Part B	100,000	105,871	5,871
IDEA, Part B, Section 619	1,800	-	(1,800)
Contributions and donations	35,500	46,575	11,075
Tuition from patrons	1,400	400	(1,000)
Refunds and other local revenue	3,218	10,187	6,969
Total revenues from local sources	3,646,052	3,908,296	262,244
State sources			
Basic education	2,907,700	2,525,736	(381,964)
Section 1305 and 1306	2,000	2,388	388
Special education	383,663	368,142	(15,521)
Transportation	258,500	246,438	(12,062)
Building reimbursement subsidy	5,200	5,389	189
Health services	8,000	7,719	(281)
State property tax reduction	140,051	140,051	-
Safe schools	-	5,425	5,425
School mental health and safety	-	13,509	13,509
Ready to learn block grant	76,871	76,871	-
Social security reimbursement	108,300	102,966	(5,334)
Retirement reimbursement	491,700	560,235	68,535
Level-up supplement	-	78,797	78,797
Total revenues from state sources	4,381,985	4,133,666	(248,319)

(Continued)

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended June 30, 2023**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Continued)			
Federal sources			
Title I Improving Basic Programs	397,000	353,619	(43,381)
Title II Improving Teacher Quality	36,000	34,411	(1,589)
Title IV Student Support and Academic Enrichment	29,000	30,790	1,790
Medical access	10,000	20,574	10,574
Rural and Low Income Schools	10,000	-	(10,000)
Elementary and Secondary School Emergency Relief Fund II	298,500	457,624	159,124
Elementary and Secondary School Emergency Relief Fund III	2,047,430	1,319,015	(728,415)
ARP ESSER 7% Set Asides	28,000	29,375	1,375
Total revenues from Federal sources	2,855,930	2,245,408	(610,522)
Total revenues	10,883,967	10,287,370	(596,597)
Expenditures			
Instructional			
Regular programs	4,201,948	4,091,732	110,216
Special programs	1,128,367	1,112,964	15,403
Vocational-educational programs	188,196	191,315	(3,119)
Other instructional programs	70,709	69,336	1,373
Total instructional	5,589,220	5,465,347	123,873
Support Services			
Pupil personnel	270,538	228,638	41,900
Instructional staff	481,340	412,754	68,586
Administration	822,820	833,797	(10,977)
Pupil health	178,853	150,265	28,588
Business	196,033	198,202	(2,169)
Operation and maintenance of plant services	663,741	670,295	(6,554)
Student transportation services	458,381	486,347	(27,966)
Other support services	1,010	1,038	(28)
Total support services	3,072,716	2,981,336	91,380

(Continued)

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2023**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued)			
Operation of Non-instructional Services			
Student activities	183,041	180,342	2,699
Construction and improvement services	2,013,990	1,232,974	781,016
Total expenditures	10,858,967	9,859,999	998,968
Excess of revenues over expenditures	25,000	427,371	402,371
Other Financing Sources (Uses)			
Proceeds from sales of capital assets	-	836	836
Interfund transfers	(25,000)	-	25,000
Total other financing sources (uses)	(25,000)	836	25,836
Net changes in fund balance	\$ -	428,207	\$ 428,207
Fund Balance - July 1, 2022		3,354,987	
Fund Balance - June 30, 2023		\$ 3,783,194	

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

STATEMENT OF NET POSITION -
 PROPRIETARY FUND - FOOD SERVICE

June 30, 2023

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 50,249
Receivables	30
Inventories	11,274
Total current assets	<u>61,553</u>
Noncurrent Assets	
Furniture and equipment - net	<u>27,200</u>
Total assets	<u>88,753</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on pension liability	29,000
Deferred amounts on OPEB liabilities	2,978
Total deferred outflows of resources	<u>31,978</u>
Total assets and deferred outflows of resources	<u><u>\$ 120,731</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 348
Unearned revenue	17,174
Total current liabilities	<u>17,522</u>
Noncurrent Liabilities	
Net pension liability	196,000
OPEB liabilities	12,793
Total noncurrent liabilities	<u>208,793</u>
Total liabilities	<u>226,315</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on pension liability	8,000
Deferred amounts on OPEB liabilities	9,869
Total deferred inflows of resources	<u>17,869</u>
NET POSITION	
Invested in capital assets	27,200
Unrestricted	(150,653)
Total net position	<u>(123,453)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 120,731</u></u>

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE**

Year Ended June 30, 2023

Operating Revenues	
Food service revenue	\$ 26,410
Operating Expenses	
Salaries	86,286
Employee benefits	54,950
Food and milk	121,316
Supplies	9,111
Repairs	4,826
Donated commodities used	19,457
Depreciation	5,487
Other operating expenditures	3,673
Total operating expenses	305,106
Operating loss	(278,696)
Nonoperating Revenues	
Investment earnings	316
State subsidies	41,606
Federal subsidies	200,285
Value of donated commodities	19,457
Total nonoperating revenues	261,664
Change in net position	(17,032)
Net Position - July 1, 2022	(106,421)
Net Position - June 30, 2023	\$ (123,453)

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2023**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 17,764
Cash payments to employees for services	(152,136)
Cash payments for goods and services	(120,720)
Net cash used in operating activities	<u>(255,092)</u>
Cash Flows From Noncapital Financing Activities	
State subsidies	41,606
Federal subsidies	200,285
Net cash provided by noncapital financing activities	<u>241,891</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of equipment	<u>(9,161)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>316</u>
Net decrease in cash and cash equivalents	(22,046)
Cash and Cash Equivalents:	
July 1, 2022	72,295
June 30, 2023	<u>\$ 50,249</u>

(Continued)

FANNETT-METAL SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE (Continued)
Year Ended June 30, 2023**

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (278,696)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,487
Value of donated commodities	19,457
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(30)
Inventories	6,834
Deferred outflows of resources	5,941
(Decrease) increase in:	
Accounts payable	82
Unearned revenue	2,674
Net pension liability	15,000
OPEB liabilities	5,465
Deferred inflows of resources	(37,306)
Net cash used in operating activities	<u><u>\$ (255,092)</u></u>
Supplemental Disclosure	
Noncash noncapital financing activity	
USDA donated commodities	<u><u>\$ 19,457</u></u>

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2023

	Combined Scholarship Trust Funds	Activity Fund
ASSETS		
Cash	\$ 62,327	\$ 106,644
Total assets	\$ 62,327	\$ 106,644
NET POSITION		
Restricted for scholarships	\$ 62,327	\$ -
Restricted for student activities	-	106,644
Total liabilities and net position	\$ 62,327	\$ 106,644

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
 SCHOLARSHIP TRUST FUND
 Year Ended June 30, 2023

	Combined Scholarship Trust Funds	Activity Fund
Additions		
Contributions and fundraising	\$ 2,100	\$ 69,845
Interest	473	-
Total additions	2,573	69,845
Deductions		
Scholarships	1,900	-
Student group expenses	-	86,775
Total deductions	1,900	86,775
Change in net position	673	(16,930)
Net Position - July 1, 2022	61,654	123,574
Net Position - June 30, 2023	<u>\$ 62,327</u>	<u>\$ 106,644</u>

See Notes to Financial Statements.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Fannett-Metal School District (District), operates a public school system within the Townships of Fannett and Metal in Franklin County and part of Toboyne Township in Perry County. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The District operates under a locally-elected, nine-member Board form of government.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. 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.

Reporting Entity

The financial statements include only the primary government of Fannett-Metal School District, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the District's legal entity. These primary government financial statements do not include the financial data for the legally separate component unit, which accounting principles generally accepted in the United States of America require to be included as part of the financial reporting entity.

The GASB defines the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is not a component unit of any other entity.

The following organization is a component unit of Fannett-Metal School District, but is not included in these primary government financial statements:

Fannett-Metal Education Foundation: Fannett-Metal Education Foundation is governed by a 12 member board. Although it is legally separate from the District, the Foundation is considered a component unit of the District under generally accepted governmental accounting principles because its sole purpose is to provide benefit to the District and its students through funding of grants and programs. If the Foundation was included in these financial statements, the Foundation would be presented as a discretely presented component unit in the District's government-wide financial statements. Separate financial statements of the Foundation are available by contacting the Foundation at 14901 Path Valley Road, Willow Hill, PA 17271.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided in the report for all of the governmental, proprietary and fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental-fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenue until earned. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the District's policy to use the resources with the most stringent restrictions first, followed by resources in decreasing order of restrictions, as funds are needed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisitions, uses and balances of the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

General Fund: The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income and other taxes, and state and Federal subsidies. Many of the more important activities of the District, including instruction, administration and certain non-instructional services are accounted for in this fund. This is a legally budgeted fund, and any unrestricted fund balances are considered as resources available for use.

Capital Projects Fund: The Capital Reserve Fund (Section 2932 is authorized by Pennsylvania Law 145, Act of April 30, 1943, known as School Laws of Pennsylvania) accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus monies in the General Fund of the District at the end of any fiscal year and (3) interest earnings on the fund itself. These funds must be used for capital improvements.

Proprietary funds are used to account for activities that are similar to those activities found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund is used for all financial transactions related to food service operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal on-going operations. The principal operating revenue of the District's proprietary fund is food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs and depreciation of capital assets. All revenues or expenses not meeting these classifications are reported as non-operating revenues and expenses.

The District does not attempt to allocate "building wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity. There are two major types of fiduciary funds established by a formal trust agreement that place restrictions on the use of the fund's assets and agency funds that account for the resources of another entity for which the District has custodial responsibility.

The District accounts for assets held by the District in a trustee capacity in private-purpose trust funds. These funds account for activities of the various scholarship accounts, the sole purpose of which is to award annual scholarships to deserving students as prescribed by donor stipulations.

The Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 (the Code) for school publications and organizations. The Activity Fund is an Agency Fund which is separate from other Agency Funds because of legal requirements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are also accounted for using the modified accrual basis of accounting.

Budgets and Budgetary Accounting

An operating budget is adopted for the General Fund, on the modified accrual basis of accounting, prior to the beginning of each fiscal year. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to the adoption of the District's budget and the reporting of its financial statements:

The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which the District is located, and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major-object level. By legislative action and according to the Code, the Board may transfer funds appropriated for any particular expenditure. 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 effects of approved budget amendments.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Allowance for Estimated Uncollectible Taxes: The allowance for estimated uncollectible taxes is based upon an historical estimate of delinquent taxes that will not be received within one year of the fiscal year-end. The portion of taxes receivable which is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of taxes receivable which is expected to be received within one year from June 30 is recorded as delinquent property taxes. All other amounts in taxes receivable are written off as estimated uncollectible taxes.

Inventories: Inventories are presented at the lower of cost or market on a first-in, first-out (FIFO) basis, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both of which were valued at cost using the FIFO method. The District has adopted an inventory recordkeeping system which distinguishes between donated and purchased commodities. Accordingly, unearned revenue for donated commodities has been recorded.

Capital Assets and Depreciation: General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of \$3,000. The District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized unless it is incurred in a proprietary fund.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued): All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-Type Activities
Site improvements	20 years	N/A
Buildings and improvements	20 - 30 years	N/A
Furniture and equipment (including vehicles and textbooks)	5 - 10 years	5 - 12 years

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

Interfund Activity/Internal Balances: Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations: In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond insurance is deferred as a prepaid expense and amortized over the lives of the bonds. Other issuance costs are expensed at the time the debt is issued.

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

Compensated Absences: Liability for compensated absences is accounted for in accordance with the provisions of the GASB. These provisions require entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Vacation leave only applies to 12-month employees. Unused vacation leave is accrued at June 30, 2023, in the Statement of Net Position and expensed in the Statement of Activities. Sick leave is granted as appropriate, and a provision is made annually in the budget for the cost of substitute personnel. There is payment for unused sick leave at the time of retirement with 20 years of service or at age 62. Rates paid vary depending on employee classification. The amount of vested sick pay is reflected in the government wide financial statements.

Payments for vacation and sick pay are expensed as paid in the governmental fund financial statements.

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation. The District participates in two plans. The first is a single employer plan administered by the District. The Plan provides retiree health, vision, dental care and prescription drug benefits for eligible retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost-sharing, multiple employer other post-employment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits (Continued):

The balances of the District's OPEB obligations and deferred resources at June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Liabilities			
District's Single Employer Plan	\$ 179,346	\$ 4,693	\$ 184,039
PSERS Cost-Sharing Plan	396,900	8,100	405,000
Total OPEB Liabilities	<u>\$ 576,246</u>	<u>\$ 12,793</u>	<u>\$ 589,039</u>
Deferred Outflows of Resources			
District's Single Employer Plan	\$ 52,648	\$ 1,378	\$ 54,026
PSERS Cost-Sharing Plan	77,400	1,600	79,000
Total Deferred Outflows of Resources on OPEB Liabilities	<u>\$ 130,048</u>	<u>\$ 2,978</u>	<u>\$ 133,026</u>
Deferred Inflows of Resources			
District's Single Employer Plan	\$ 285,421	\$ 7,469	\$ 292,890
PSERS Cost-Sharing Plan	118,000	2,400	120,400
Total Deferred Inflows of Resources on OPEB Liabilities	<u>\$ 403,421</u>	<u>\$ 9,869</u>	<u>\$ 413,290</u>

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost-Sharing Plan are in Notes 10 and 11, respectively.

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 to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources - Delinquent Property Taxes: The District recognizes property tax revenues when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Those property tax receivables expected to be collected after 60 days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Balance:

The District's fund balance classifications are defined and described as follows:

Non-spendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for specific purposes through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board, the District's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to use the amounts for specific purposes but are neither restricted nor committed. Through Board policy, the Board has delegated the authority to express intent to the District's Business Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District has a Board policy which prescribes fund balance guidelines.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnerships.

GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 99, *Omnibus 2022 will be effective in fiscal years between June 30, 2022 and 2024*, depending on the topics addressed and their relation to other standards. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will be effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting - understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. It requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 21, 2023, the date the financial statements were available to be issued.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Section 440.1 of the Pennsylvania Public School Code of 1949 as amended and supplemented by Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- United States Treasury Bills;
- Short-term obligations of the U.S. Government or its agencies or instrumentalities;
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository;
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity;
- Shares of an investment company registered under the Investment Company Act of 1940;
- Local Government Investment Pools;
- Repurchase agreement with respect to U.S. Treasury bills or obligations, participations or other instruments of or guaranteed by the U.S. or any Federal agency, instrumentality, or U.S. government-sponsored enterprise;
- Obligations, participations or other instruments of any Federal agency, instrumentality or United States government sponsored enterprise if the debt obligations are rated at least "A" or its equivalent;
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days;
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days maturity;
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or District policies.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s investments may not be returned to it. A summary of the District’s deposits at June 30, 2023, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC Insured	\$ 250,000	\$ 250,000	Juniata Valley Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	752,741	769,500	Juniata Valley Bank
	<u>\$ 1,002,741</u>	<u>\$ 1,019,500</u>	

The carrying amount of cash and cash equivalents as presented on the Statement of Net Position includes petty cash of \$100.

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as the pledgors of the assets.

Credit Risk - Investments

The District has a formal written policy that limits the investments that are not backed by the “full faith and credit” of the Federal or state government to those with the highest two credit ratings available for such investments issued by a recognized organization.

Investments in PSDLAF are subject to income, market and credit risk related to the potential decline in current income, the potential for a decline in market value and the potential that an issuer of securities held in the investment portfolios of the fund would fail to make timely payments of principal and interest payments, respectively.

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

	Credit Rating	Weighted Average Maturity	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF) Max Series	AAAm	25 days	\$ 4,183,570

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk - Investments (Continued)

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDLAF-Max Series, at amortized cost.

PSDLAF-Max Series - This fund invests in securities such as U.S. treasury obligations; securities issued by the U.S. government, its agencies and instrumentalities; collateralized or government agency LOC-backed bank deposits; and repurchase agreements collateralized by such securities and contracted with highly-rated counterparties. The fund is required to maintain a weighted average maturity of no longer than 60 days. PSDLAF-Max Series does not have limitations or restrictions on withdrawals.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk - Investments (Continued)

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in the PSDLAF-MAX are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. More than 5% of the District's investments were in PSDLAF.

Policies Followed at PSDLAF

Regulatory Oversight - The operation of PSDLAF is governed by an 11-member Board of Trustees, nine of whom are elected and two of whom serve as ex-officio. The Trustees have full, exclusive and absolute control and authority over the business of the Fund and its assets, subject to rights of the Settlers as provided in the Declaration of Trust.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to procedures followed by SEC registered money market funds.

The District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Taxes

The District collects property taxes, earned income taxes, per capita and occupational taxes, and other taxes and fees primarily from taxpayers located in the Townships of Fannett and Metal in Franklin County and part of Toboyne Township in Perry County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Franklin or Perry Tax Claim Bureau for collection.

The District's tax rate for all purposes in 2022-2023, was 81.00 mills (\$81.00 per \$1,000 assessed valuation) for Franklin County and 7.76 mills (\$7.76 per \$1,000 assessed valuation) for Perry County. Refunds on payments of prior year taxes are classified as other debt service items under the Commonwealth of Pennsylvania accounting system. Current tax collections for the District were approximately 96.85% of the total tax levy.

As of June 30, 2023, the District does not offer any tax abatement programs.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Taxes Receivable and Deferred Inflows of Resources

Taxes receivable and related accounts at June 30, 2023, were as follows:

	Amount
Taxes Receivable	\$ 208,004
Allowance for uncollectible taxes	(2,492)
Taxes Receivable - Net	<u>\$ 205,512</u>
Taxes to be collected within 60 days	\$ 96,139
Deferred inflows of resources - delinquent taxes	109,373
Taxes Receivable - Net	<u>\$ 205,512</u>
Deferred Inflows of Resources - General Fund	
Unearned tax revenue	<u>\$ 109,373</u>

Note 5. Interfund Accounts and Transfers

There were no interfund receivable or payable balances at June 30, 2023.

All interfund receivable/payable balances result from time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occurred; (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances are expected to be repaid within the following year.

There was no operating transfer activity between funds during the year ended June 30, 2023.

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the District consists of the following as of and for the year ended June 30, 2023:

	Balances July 1, 2022	Increases	Decreases	Balances June 30, 2023
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 668,580	\$ -	\$ -	\$ 668,580
Construction-in-progress	1,189,605	5,606	(1,189,605)	5,606
Total capital assets, not being depreciated	1,858,185	5,606	(1,189,605)	674,186
Capital assets, being depreciated				
Site improvements	683,672	5,508	-	689,180
Buildings and improvements	5,593,267	2,385,613	(293,151)	7,685,729
Furniture and equipment	553,394	22,922	(6,300)	570,016
Total capital assets, being depreciated	6,830,333	2,414,043	(299,451)	8,944,925
Less accumulated depreciation				
Site improvements	381,899	29,688	-	411,587
Buildings and improvements	3,386,504	152,184	(266,092)	3,272,596
Furniture and equipment	443,737	24,685	(6,300)	462,122
Total accumulated depreciation	4,212,140	206,557	(272,392)	4,146,305
Total capital assets, being depreciated, net	2,618,193	2,207,486	(27,059)	4,798,620
Governmental Activities, Capital Assets - Net	\$4,476,378	\$2,213,092	\$ (1,216,664)	\$5,472,806
Business-Type Activity				
Furniture and equipment	\$ 118,997	\$ 9,161	\$ (2,495)	\$ 125,663
Less accumulated depreciation	95,471	5,487	(2,495)	98,463
Business-Type Activity, Capital Assets - Net	\$ 23,526	\$ 3,674	\$ -	\$ 27,200

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2023, was charged to the District's functions/programs as follows:

	Amount
Governmental Activities	
Instructional	\$ 113,575
Instructional student support	26,408
Administration and financial support	31,211
Operation and maintenance of plant services	28,160
Student activities	7,203
Total governmental activities	<u>206,557</u>
Business-Type Activity	
Food service	5,487
Total District	<u>\$ 212,044</u>

Note 7. Accrued Salaries and Benefits

Accrued salaries and benefits consist of the following as of June 30, 2023:

	Amount
Accrued salaries	\$ 214,460
Retirement	400,100
Social security	16,185
	<u>\$ 630,746</u>

Accrued salaries represent teachers' salaries and non-teaching personnel's salaries earned during the 2022-2023 school year but paid subsequent to June 30, 2023. Accrued retirement represents the PSERS contribution for the second quarter of calendar year 2023, including the portion pertaining to accrued salaries at June 30, 2023. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2023.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

The changes in long-term obligations during the year ended June 30, 2023, were as follows:

	Balances			Balances	Due Within
	July 1, 2022	Increases	Decreases	June 30, 2023	One Year
Compensated absences	\$ 171,765	\$ -	\$ (9,142)	\$ 162,623	\$ -

Compensated Absences - Under the terms of the District’s employment policies, employees are granted sick days per school year, and any unused sick days may be carried over to future years. Upon retirement from the District, with 20 years of service or at age 62, employees are reimbursed for accumulated sick days in amounts equal to the number of unused days multiplied by applicable employment contract rates.

Note 9. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Benefits Provided (Continued)

Benefits are generally between 1% and 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.

Contributions

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	7.50%
T- F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T- G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T- H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
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%

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Employer Contributions:

The District’s 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. Included in the District’s contractually required contribution rate is the Act 5 contribution rate totaling an estimated 0.20 percent.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth’s share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District’s rate. The District’s contributions to the Plan, relating to pension benefits, for the year ended June 30, 2023, was \$1,123,419, and is equal to the required contribution for the year. For the year ended June 30, 2023, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$575,447.

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

At June 30, 2023, the District reported a liability of \$9,781,000 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 reported proportion was 0.0220 percent, which was a decrease of 0.0001 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$579,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,000	\$ 85,000
Changes in assumptions	292,000	-
Net difference between projected and actual investment earnings	-	166,000
Changes in proportions	36,000	155,000
Difference between employer contributions and proportionate share of total contributions	4,000	3,000
Contributions subsequent to the measurement date	1,123,000	-
	<u>\$ 1,459,000</u>	<u>\$ 409,000</u>

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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

\$1,123,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 2,000
2025	(37,000)
2026	(268,000)
2027	231,000
2028	(1,000)
Thereafter	-
	<u>\$ (73,000)</u>

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, 2021 and as of June 30, 2022.

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

Investments

The long-term expected real 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Investments (Continued)

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

For the year ended June 30, 2022, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

<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 table 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.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1- percentage-point higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 12,651,000	\$ 9,781,000	\$ 7,361,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of \$391,590, which represents the employer contributions owed to the pension plan.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan

Plan Description

The District has a healthcare plan for retired employees of the District, which is a single employer defined benefit healthcare plan administered by the District. The plan provides medical, prescription drug, dental and vision coverage for both the retiree and spouse. To continue coverage upon retirement, the retirees who were either administrators or support staff must reimburse the District for the full amount of the premiums. Currently, the plan has 46 active participants and one retired participant.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the District. There is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB No. 75.

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

At June 30, 2023, the District reported \$184,039 for the total OPEB liability. The total OPEB liability was measured at July 1, 2022, and was determined by an actuarial valuation at July 1, 2021. The OPEB liability is composed of the following:

	Amount
Total OPEB liability at July 1, 2021	\$ 228,563
Changes for the year	
Service cost	13,510
Interest	5,379
Differences between expected and actual experience	-
Changes of assumptions	(52,036)
Benefit payments	(11,377)
Net changes	(44,524)
Total OPEB liability at July 1, 2022	<u>\$ 184,039</u>

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$24,373. At June 30, 2023, the District reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,093	\$ 242,305
Changes in assumptions	15,101	50,585
Benefit payments subsequent to the measurement date	7,832	-
	<u>\$ 54,026</u>	<u>\$ 292,890</u>

Of the total amount reported as deferred outflows of resources, \$7,832 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources will be recognized in the District's OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (15,533)
2025	(20,794)
2026	(33,855)
2027	(34,261)
2028	(34,261)
Thereafter	(107,992)
	<u>\$ (246,696)</u>

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1.5% real wage growth, and for teacher and administrators a merit increase which varies by age from 2.75% to 0%
- Discount Rate - 4.06% - Based on S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2022
- Actuarial Cost Method - Entry Age Normal
- Healthcare Cost Trend Rate - 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Retirees' Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate
- Mortality rates are separate and are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement

The actuarial assumption used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period ended July 1, 2021.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

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

The following presents the total OPEB liability of the district calculated using the discount rate of 4.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.06%) or one percentage higher (5.06%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Net OPEB liability	\$ 196,253	\$ 184,039	\$ 172,324

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

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ 165,370	\$ 184,039	\$ 205,613

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan

Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance, which is a governmental cost-sharing multiple-employer other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 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 retire 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 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 \$24,415 for the year ended June 30, 2023.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

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

At June 30, 2023, the District reported a liability of \$405,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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 reported proportion was 0.0220% percent, which was a decrease of 0.0001% percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$6,900. 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
Differences between expected and actual experience	\$ 4,000	\$ 2,000
Changes in assumptions	45,000	96,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportion	5,000	22,000
Difference between employer contributions and proportionate share of total contributions	-	400
Contributions subsequent to the measurement date	24,000	-
	<u>\$ 79,000</u>	<u>\$ 120,400</u>

\$24,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2024	\$ (18,200)
2025	(10,100)
2026	(12,000)
2027	(11,000)
2028	(14,100)
Thereafter	-
	<u>\$ (65,400)</u>

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

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:

- Valuation Date - June 30, 2021.
- 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 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%
- The discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09%, as of June 30, 2022.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the 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.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

Investments

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

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the 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>100.0%</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 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.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

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

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

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 458,000	\$ 405,000	\$ 361,000

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

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

	1% Decrease	Current Trend Rates	1% Increase
District's proportionate share of the net OPEB liability	\$ 405,000	\$ 405,000	\$ 405,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of \$8,510, which represents the employer contributions owed to the OPEB plan.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Joint Ventures

Franklin County Career and Technology Center (FCCTC): FCCTC provides vocational technical training and education to participating students of the member districts. The District is one of six member school districts participating in the operation of FCCTC. FCCTC is operated, administered and managed by a joint operating committee consisting of board members from the six-member school districts. Member districts are responsible for funding the major portion of FCCTC's operating budget. The District's share of annual operating costs for FCCTC is based on the number of students attending the school from the District and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2023, the District paid \$170,164, for its estimated share of the operating budget. Complete financial information for FCCTC can be obtained from the Administrative Office at 2463 Loop Road, Chambersburg, PA 17202.

School Building Revenue Bonds, Series of 2011, dated June 29, 2011, was issued by the Pennsylvania State Public School Building Authority (Authority) to pay the costs of a capital project consisting of the planning, designing, renovating, constructing, furnishing and equipping the FCCTC and to pay the costs and expenses of such financing. FCCTC and the six-member school districts have entered into a lease agreement with the Authority, and each school district will pay its proportionate share of the rentals in order to fund the Series of 2011 debt. As of June 30, 2023, the District's pro-rata share represented 2.53% of total market value, which resulted in a lease rental payment to FCCTC in the amount of \$21,151, which is included in the instructional expenditures of the District's General Fund. The District's lease rental principal balance payable as of June 30, 2023, was \$253,506.

The annual requirements to amortize the School Building Revenue Bonds, Series of 2011 recorded on the books of the FCCTC, and upon which the annual lease payments of FCCTC are based, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 440,000	\$ 476,984	\$ 916,984
2025	460,000	459,384	919,384
2026	475,000	440,984	915,984
2027	495,000	421,390	916,390
2028	520,000	398,620	918,620
2029-2033	2,970,000	1,610,430	4,580,430
2034-2038	3,785,000	804,750	4,589,750
2039-2040	875,000	43,750	918,750
	<u>\$ 10,020,000</u>	<u>\$ 4,656,292</u>	<u>\$ 14,676,292</u>

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Joint Ventures (Continued)

Lincoln Intermediate Unit #12: Lincoln Intermediate Unit #12 is a separate legal entity organized by constituent school districts in York, Adams and Franklin counties to provide services to the school districts. Each member school district appoints members to serve on the Board of Directors of the Intermediate Unit. The District contracts with the Intermediate Unit primarily for special education services and training. Total payments made to the Intermediate Unit for the year ended June 30, 2023, were \$149,907.

Complete financial statements for each of the entities described above can be obtained from the respective administrative office. The District has no equity interest in the above joint ventures.

Note 13. Risk Management

The District is exposed to various risks of losses related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has purchased commercial insurance to cover general liability, directors and officer's liability, unemployment compensation and workers' compensation. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

The District is a member of the Tuscarora Intermediate Unit Capital Insurance Trust (TIUCIT), a public entity risk pool, for its employees' medical insurance. The member districts of TIUCIT elect trustees to manage it, and the risk is shared among all members. TIUCIT self-insures health and medical, dental and vision coverage. Stop-loss insurance is used for major medical claims exceeding \$200,000. Premiums charged in excess of claims paid and administrative costs are deposited into a premium stabilization fund. Additional premiums could be charged to make up for any deficiencies in this fund. Provisions are in effect to refund any excess monies if a member withdraws or the trust be dissolved. At June 30, 2021, the latest audited information available, TIUCIT has cash to cover future claims of approximately \$4.1 million. Premiums paid to TIUCIT for the year ended June 30, 2023, were \$1,052,979. Separate financial statements are prepared for and available from the TIUCIT.

All expenditures for the District's risk management are recorded in the General or Food Service Fund.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Commitments and Contingencies

The District participates in numerous state and Federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the District's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 15. Leases

The District is party to non-cancelable leases for copiers. Rent expense for the year ended June 30, 2023, was \$10,327. At June 30, 2023, the District has the following future minimum payments on these leases:

<u>Year</u>	<u>Amount</u>
2023-2024	\$ 5,624

REQUIRED SUPPLEMENTARY INFORMATION

FANNETT-METAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0220%	\$ 9,781,000	\$ 3,228,358	302.97%	61.34%
2022	0.0221%	\$ 9,074,000	\$ 3,129,258	289.97%	63.67%
2021	0.0226%	\$ 11,128,000	\$ 3,182,721	349.64%	54.32%
2020	0.0223%	\$ 10,433,000	\$ 3,073,079	339.50%	55.66%
2019	0.0230%	\$ 11,041,000	\$ 3,096,362	356.58%	54.00%
2018	0.0231%	\$ 11,409,000	\$ 3,075,213	371.00%	51.84%
2017	0.0244%	\$ 12,092,000	\$ 3,161,399	382.49%	50.14%
2016	0.0237%	\$ 10,265,728	\$ 3,051,788	336.38%	54.36%
2015	0.0233%	\$ 9,222,308	\$ 2,973,108	310.19%	57.24%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

FANNETT-METAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS -
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 1,123,419	\$ (1,123,419)	\$ -	\$ 3,336,678	33.67%
2022	\$ 1,097,253	\$ (1,097,253)	\$ -	\$ 3,228,358	33.99%
2021	\$ 1,054,794	\$ (1,054,794)	\$ -	\$ 3,182,721	33.14%
2020	\$ 1,062,376	\$ (1,062,376)	\$ -	\$ 3,182,721	33.38%
2019	\$ 997,769	\$ (997,769)	\$ -	\$ 3,073,504	32.46%
2018	\$ 1,004,904	\$ (1,004,904)	\$ -	\$ 3,096,362	32.45%
2017	\$ 895,775	\$ (895,775)	\$ -	\$ 3,075,213	29.13%
2016	\$ 804,014	\$ (804,014)	\$ -	\$ 3,161,594	25.43%
2015	\$ 609,101	\$ (609,101)	\$ -	\$ 3,051,788	19.96%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

FANNETT-METAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
 DISTRICT'S SINGLE EMPLOYER PLAN

For the Fiscal Year Ended June 30,

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 13,510	\$ 6,495	\$ 6,834	\$ 6,187	\$ 6,683	\$ 9,107
Interest	5,379	17,902	17,931	13,067	13,165	11,728
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(301,934)	-	92,357	-	(23,557)
Changes in assumptions	(52,036)	11,355	-	(11,149)	-	186,486
Benefit payments	(11,377)	(27,011)	(23,784)	(24,286)	(21,454)	(43,322)
Other Changes	-	-	-	-	-	-
Net change in total OPEB liability	(44,524)	(293,193)	981	76,176	(1,606)	140,442
Total OPEB Liability - beginning	228,563	521,756	520,775	444,599	446,205	305,763
Total OPEB Liability - ending	\$ 184,039	\$ 228,563	\$ 521,756	\$ 520,775	\$ 444,599	\$ 446,205
Covered payroll	\$ 2,832,640	\$ 2,832,640	\$ 2,435,136	\$ 2,375,742	\$ 2,425,165	\$ 2,366,015
Net OPEB liability as a percentage of covered payroll	6.50%	8.07%	21.43%	21.92%	18.33%	18.86%

Notes to Schedule:

For the fiscal year ended June 30, 2023:

Changes in assumptions: The discount rate changed from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

FANNETT-METAL SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.0220%	\$ 405,000	\$ 3,228,358	12.55%	6.86%
2022	0.0221%	\$ 523,000	\$ 3,129,258	16.71%	5.30%
2021	0.2270%	\$ 490,000	\$ 3,182,721	15.40%	5.69%
2020	0.0223%	\$ 474,000	\$ 3,073,079	15.42%	5.56%
2019	0.0230%	\$ 480,000	\$ 3,096,362	15.50%	5.56%
2018	0.0231%	\$ 471,000	\$ 3,075,213	15.32%	5.73%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

FANNETT-METAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 24,415	\$ (24,415)	\$ -	\$ 3,336,678	0.73%
2022	\$ 25,712	\$ (25,712)	\$ -	\$ 3,228,358	0.80%
2021	\$ 25,673	\$ (25,673)	\$ -	\$ 3,129,258	0.82%
2020	\$ 26,678	\$ (26,678)	\$ -	\$ 3,182,721	0.84%
2019	\$ 25,428	\$ (25,428)	\$ -	\$ 3,073,504	0.83%
2018	\$ 26,279	\$ (26,279)	\$ -	\$ 3,096,362	0.85%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

**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 School Directors
Fannett-Metal School District
Willow Hill, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Fannett-Metal School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania
November 21, 2023

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

Board of School Directors
Fannett-Metal School District
Willow Hill, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The District's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania
November 21, 2023

**FANNETT-METAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? X Yes ___ 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 that are not considered to be a material weakness (es)? ___ Yes X None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ___ Yes X No

Identification of the major programs:

Assistance Listing Number	Name of Federal Programs/Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? X Yes ___ No

FANNETT-METAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

2023-001 - Lack of Segregation of Duties

Criteria: Segregation of duties is an internal control procedure implemented to reduce the risk of errors and fraud.

Condition and context: Due to the limited number of personnel working for Fannett-Metal School District, many critical duties are combined and assigned to the available employees. Presently, a single individual performs/oversees the majority of the accounting functions. In an ideal internal control system, the origin and completion of a transaction are never under the control of the same individual. Each transaction should be processed by two or more individuals to ensure proper segregation of duties.

Cause: Lack of segregation of duties is due to the limited number of personnel.

Effect: The lack of segregation of duties increases the risk that the District's funds could be misappropriated, and that misappropriation would not be identified quickly.

Repeat Finding: This is a repeat finding from the 2022 audit shown as 2022-001.

Recommendation: The District should design a system to strengthen the District's internal controls system.

Views of responsible officials and planned corrective action: The District has responded to this finding in the Corrective Action Plan, which is a part of this reporting package.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

FANNETT-METAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no significant deficiencies in internal controls relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

FANNETT-METAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Pass-Through Entity Identifying Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 07/01/22	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 06/30/23	Amount Passed Through to Subrecipients
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Title I - Grants to Local Educational Agencies	I	84.010	013-220144	21-22	\$ 397,147	\$ 52,945	\$ 52,945	\$ -	\$ -	\$ -	\$ -
Title I - Grants to Local Educational Agencies	I	84.010	013-230144	22-23	\$ 353,619	306,477	-	353,619	353,619	47,142	-
						<u>359,422</u>	<u>52,945</u>	<u>353,619</u>	<u>353,619</u>	<u>47,142</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	I	84.367	020-220144	21-22	\$ 35,358	6,524	6,524	-	-	-	-
Title II - Supporting Effective Instruction State Grants	I	84.367	020-230144	22-23	\$ 34,411	27,154	-	34,411	34,411	7,257	-
						<u>33,678</u>	<u>6,524</u>	<u>34,411</u>	<u>34,411</u>	<u>7,257</u>	<u>-</u>
Title IV - Student Support & Academic Enrichment	I	84.424	144-220144	21-22	\$ 29,820	18	18	-	-	-	-
Title IV - Student Support & Academic Enrichment	I	84.424	144-230144	22-23	\$ 30,790	29,331	-	30,790	30,790	1,459	-
						<u>29,349</u>	<u>18</u>	<u>30,790</u>	<u>30,790</u>	<u>1,459</u>	<u>-</u>
Rural & Low Income Schools	I	84.358	007-220144	21-22	\$ 10,457	10,457	10,457	-	-	-	-
COVID-19 Elementary & Secondary School Emergency Relief Fund II ***	I	84.425D	200-210144	20-23	\$ 1,464,281	340,531	(15,012)	457,624	457,624	102,081	-
COVID-19 American Rescue Plan Elementary & Secondary School Emergency Relief Fund III ***	I	84.425U	223-210144	20-24	\$ 2,961,817	2,584,859	1,197,668	1,319,015	1,319,015	(68,176)	-
COVID-19 American Rescue Plan Elementary & Secondary School Emergency Relief Fund 7% Set Asides ***	I	84.425U	225-210144	20-24	\$ 230,201	121,379	81,264	29,375	29,375	(10,740)	-
Total passed through the Pennsylvania Department of Education						<u>3,479,675</u>	<u>1,333,864</u>	<u>2,224,834</u>	<u>2,224,834</u>	<u>79,023</u>	<u>-</u>
Passed through Tuscarora Intermediate Unit #11											
Special Education-Grants to States **	I	84.027	H027A220093	22-23	\$ 105,871	105,871	-	105,871	105,871	-	-
Total passed through the Tuscarora Intermediate Unit #11						<u>105,871</u>	<u>-</u>	<u>105,871</u>	<u>105,871</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education						<u>3,585,546</u>	<u>1,333,864</u>	<u>2,330,705</u>	<u>2,330,705</u>	<u>79,023</u>	<u>-</u>

(Continued)

FANNETT-METAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Pass- Through Entity Identifying Number	Grant Period	Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 07/01/22	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 06/30/23	Amount Passed Through to Subrecipients
Passed through the Pennsylvania											
Department of Agriculture											
Child Nutrition Discretionary Grants	I	10.579	4100094828	22-23	\$ 9,161	9,161	-	9,161	9,161	-	-
COVID-19 - Pandemic EBT Administrative Funds	I	10.649	N/A	22-23	\$ 628	628	-	628	628	-	-
COVID-19 - National School Lunch Program - Supply Chain Assistance *	I	10.555	N/A	21-22	\$ 12,738	-	(11,320)	11,320	11,320	-	-
COVID-19 - National School Lunch Program - Supply Chain Assistance *	I	10.555	N/A	22-23	\$ 20,261	20,261	-	5,976	5,976	(14,285)	-
National School Lunch Program *	I	10.555	N/A	22-23	N/A	128,032	-	128,032	128,032	-	-
School Breakfast Program *	I	10.553	N/A	22-23	N/A	45,168	-	45,168	45,168	-	-
National School Lunch Program - Food Donation *	I	10.555	N/A	22-23	N/A	19,457	-	19,457	19,457	-	-
Total U.S. Department of Agriculture						<u>222,707</u>	<u>(11,320)</u>	<u>219,742</u>	<u>219,742</u>	<u>(14,285)</u>	<u>-</u>
Total Expenditures of Federal Awards						<u>\$ 3,808,253</u>	<u>\$ 1,322,544</u>	<u>\$ 2,550,447</u>	<u>\$ 2,550,447</u>	<u>\$ 64,738</u>	<u>\$ -</u>

* Programs in Child Nutrition Cluster

National School Lunch Program	\$ 145,328
School Breakfast Program	45,168
National School Lunch Program - Food Donation	19,457
	<u>\$ 209,953</u>

*** Programs in Education Stabilization Fund

COVID-19 Elementary & Secondary School Emergency Relief Fund II	457,624
COVID-19 Elementary & Secondary School Emergency Relief Fund III	1,319,015
COVID-19 Elementary & Secondary School Emergency Relief Fund Set-Asides	29,375
	<u>\$ 1,806,014</u>

** Programs in Special Education Cluster

Special Education-Grants to States	105,871
Special Education-Preschool Grants	-
	<u>\$ 105,871</u>

Source Codes:
 D - Direct Funding
 I - Indirect Funding

See Notes to Schedule of Expenditures of Federal Awards.

FANNETT-METAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal award activity of Fannett-Metal 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 Fannett-Metal School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Fannett-Metal School District.

Note 2. 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. 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.

Note 3. Indirect Cost Rate

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

FANNETT-METAL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

Financial Statement Findings

Significant Deficiency

2022-001 - Lack of Segregation of Duties

Criteria: Segregation of duties is an internal control procedure implemented to reduce the risk of errors and fraud.

Condition and context: Due to the limited number of personnel working for Fannett-Metal School District, many critical duties are combined and assigned to the available employees. Presently, a single individual performs/oversees the majority of the accounting functions. In an ideal internal control system, the origin and completion of a transaction are never under the control of the same individual. Each transaction should be processed by two or more individuals to ensure proper segregation of duties.

Cause: Lack of segregation of duties is due to the limited number of personnel.

Effect: The lack of segregation of duties increases the risk that the District's funds could be misappropriated, and that misappropriation would not be identified quickly.

Recommendation: The District should design a system to strengthen the District's internal controls system.

Views of responsible officials and planned corrective action: The District has responded to this finding in the Corrective Action Plan, which is a part of this reporting package.

Current Status: Repeat finding. See current year finding 2023-001.

14823 PATH VALLEY RD.
WILLOW HILL, PA 17271
Phone: 717-349-7172
Fax: 717-349-2748



**FANNETT-METAL
SCHOOL DISTRICT**
Inspiring And Empowering All Learners
For Tomorrow's Challenges

AN EQUAL RIGHTS AND
OPPORTUNITY AGENCY

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

Fannett-Metal School District respectfully submits the following corrective action plan in response to the finding listed in Section II of the Schedule of Findings and Questioned Costs for the year ended June 30, 2023.

Significant Deficiency in Internal Control:

Finding 2023-001

Recommendation: The District should design a system to strengthen internal controls.

Views of responsible officials and planned corrective action: The District acknowledges and understands the finding, but action is subject to the limitation of the District's number of staff in the administrative office. The District will continue to evaluate accounting processes, utilizing available staff to determine ways to reduce risks associated with lack of segregation of duties.

Responsible Party: Daniel Simpson, Business Manager

Anticipated Completion Date: June 30, 2024

If there are any questions regarding this plan, please call Dan Simpson, Business Manager at 717-349-3019.


Daniel P Simpson
Business Manager