

SPRING GROVE AREA SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants
710 South George Street
York, Pa. 17401

Philip G. Lauer, CPA
Mark R. Kephart, CPA

Phone: 717-843-8855
Fax: 717-843-8857

Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

To the Members of the Board:

We have performed the Single Audit of the Spring Grove Area School District for the fiscal year ended June 30, 2022 and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance Compliance Supplement. It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of the Schedule of Federal Financial Assistance and our opinion thereon; (3) a study and evaluation of internal controls based on an evaluation of the federal financial assistance programs; (4) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (5) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have also issued a management letter addressing recommendations we feel should be considered by the school district.

Kochenour, Earnest, Smyser, & Burg

Certified Public Accountants

York, Pennsylvania
November 22, 2022

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SPRING GROVE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2022**

The discussion and analysis of Spring Grove Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended, June 30, 2022. The intent of this discussion and analysis is to review the District's financial performance as a whole. Readers should also review the financial statements, notes to the financial statements, and related audit information to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

During the 2021-22 fiscal year, the Spring Grove Area School District continued to experience increases in the collection of the current real estate taxes, earned income taxes, and real estate transfer taxes, considerably more than the prior year. The development growth in the school district has continued to contribute to the real estate tax revenue increase, coupled with an increase in the earned income rate. The real estate tax collection rate continued to be better than budgeted.

For the 2021-22 fiscal year, local revenues were approximately \$2.8 million above the budgeted amount. Expenditures were approximately \$3.9 million above the budgeted amount, in part due to COVID 19 as well as increased Charter School expenses, Special Education cost and spending on supplies and consumables. In total for the year, General Fund expenditures exceeded revenues, leaving a deficit of about (\$2,014,739) million compared to a budgeted deficit of \$6.1 million.

In the budgeting process for the 2022-23 fiscal year, the Board of School Directors balanced the budget by allocating nearly \$5.8 million from the General Fund Balance with a 0.0% mill increase to the taxpayers. Tax revenue budgeting for the 2022-23 fiscal year includes a mix of increases and decreases in individual line items compared to the prior fiscal year due to the continued uncertain national and regional economic conditions.

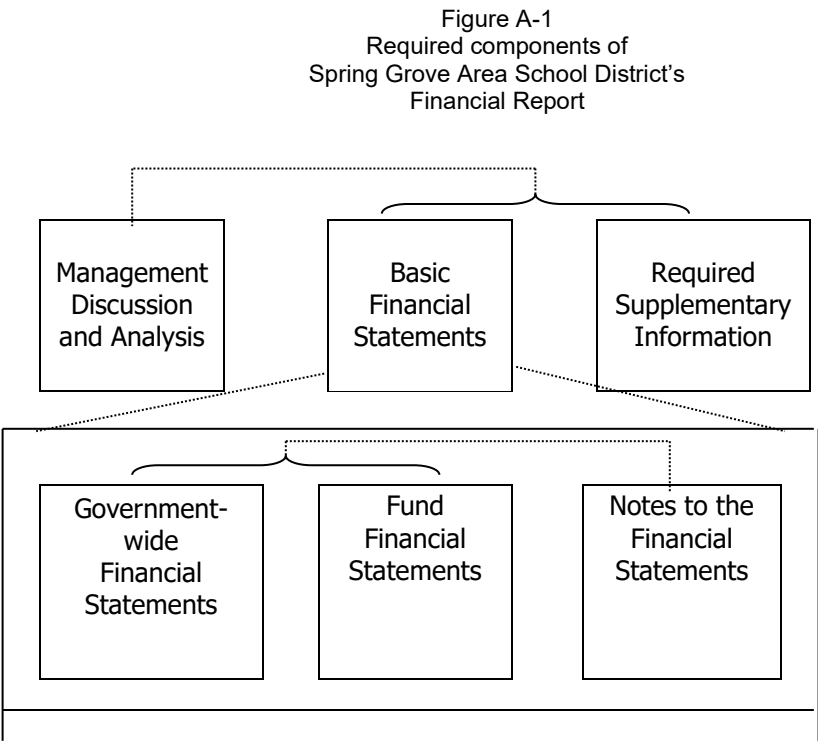
For the purpose of financial planning to meet the anticipated increases in expenses in certain areas, the School District has continued to assign a part of its General Fund Balance in the following manner: \$0.5 million future increases in PSERS employer retirement costs, \$3.0 million for Facilities and Capital Upgrades, \$2.0 million for future healthcare costs, \$1.0 million for future Charter School cost and \$1.0 million for ongoing Technology upgrades in accordance with the School District Technology Plan. As projections of future costs are assessed, these assigned amounts may be modified in accordance with Board Policy #006 to meet future expenses.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements detail how general district services were financed in the short-term as well as remaining future spending. Proprietary fund statements offer short and long-term financial information about school district activities that operate like a business. For the Spring Grove Area School District, it is the Nutrition Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain specific information in the financial statements and provide more detailed data.

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Figure A-1 shows the arrangement and relationship between the required parts of the Financial Section.



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

Figure A-2 Major Features of Spring Grove Area School District's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government- wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Nutrition Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of net assets; Statement of activities	Balance Sheet; Statement of revenues, expenditures and changes in fund balance	Statement of net assets; Statement of revenues, expenses and changes in net assets; Statement of cash flows	Statement of fiduciary net assets; Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short- term and long- term	All assets and liabilities, both short- term and long-term
Type of inflow- outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide financial statements use a full accrual method of accounting and present the financial position and the operating results of the governmental entity as a whole. They bring the financial information together in one place and organize it by governmental activities or business-type activities. The government-wide statements report a more corporate-style analysis which include all assets and liabilities. This basis of accounting recognizes all of the current year's revenues

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and expenses regardless of when cash was received or paid. These statements include long-term liabilities like future debt payments, compensated absences, pension liabilities, and other long-term post-employment benefits. The government-wide statements include the following:

- Statement of Net Position
- Statement of Activities

These statements report the District's net position and change in net position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished.

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

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

- **Governmental activities** – Most of the School District's programs are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Property taxes, state and federal subsidies, and grants finance most of these activities.
- **Business type activities** – The District operates a food service program and charge for goods and services to recover the expense of the food service operation.

Fund Financial Statements

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

Governmental Funds – Most of the District's activities are reported in governmental funds and are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Fiduciary Funds - The District is the trustee, or fiduciary, for some small scholarship funds. All the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the District's other financial statement because the District cannot use these assets to finance its operations.

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FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$(32,950,787) on June 30, 2022, an increase of \$6,073,339 from last year.

Table A-1
Fiscal Year ended June 30, 2022
Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current and other assets	\$22,736,634	\$1,344,869	\$24,081,503
Noncurrent assets	<u>109,088,984</u>	<u>59,153</u>	<u>109,148,503</u>
Total assets	\$131,825,618	\$1,404,022	\$133,229,640
Current and Other Liabilities	14,084,436	139,804	14,224,240
Noncurrent liabilities	<u>151,934,247</u>	<u>21,940</u>	<u>151,956,187</u>
Total Liabilities	\$166,018,683	\$161,744	\$166,180,427
Net Assets:			
Invested in capital assets, net of related debt	44,615,931	--	44,615,931
Unrestricted	<u>(78,808,996)</u>	<u>1,242,278</u>	<u>(77,566,718)</u>
Total Net Assets	<u>\$(34,193,065)</u>	<u>\$1,242,278</u>	<u>\$(32,950,787)</u>

The vast majority of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases or capital projects as planned by the district.

The District's net assets have been at a negative balance for the June 30, 2022 and June 30, 2021 financial years. Those balances were \$(32,950,787) and \$(39,024,126) respectively. These balances resulted from Government Accounting Standards Board Statement Number 68 for Pensions. The Pension Liability for the June 30, 2022, year was \$86,548,000 and at June 30, 2021, \$103,156,000.

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

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Table A-2 extracts the information from the Statement of Activities and rearranges it in a format to better understand the total revenues and expenses for the fiscal year.

Table A-2
Fiscal Year ended June 30, 2022
Changes in Net Assets

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 753,460	\$319,348	\$1,072,808
Operating grants and contributions	10,880,397	3,166,571	14,046,968
General revenues:			
Property taxes	41,857,997	--	41,857,997
Other taxes	5,222,395	--	5,222,395
Grants, subsidies and contributions	19,672,344	--	19,672,344
Investment Earnings	116,793	3,593	120,386
Other	307,878	3,111	310,989
Sale of Fixed Assets	--	--	--
Total revenues:	<u>\$78,811,264</u>	<u>\$3,492,623</u>	<u>\$82,303,887</u>
Expenses:			
Instruction	43,796,945	--	43,796,945
Instructional student support	8,542,022	--	8,542,022
Administrative and financial support	5,437,434	--	5,437,434
Operation and maintenance of plant	7,530,673	--	7,530,673
Pupil transportation	5,584,175	--	5,584,175
Student activities	1,304,110	--	1,304,110
Community services	44,386	--	44,386
Interest on long-term debt	1,306,683	--	1,306,683
Unallocated depreciation expense	--	--	--
Food Services	--	2,684,120	2,684,120
Total expenses:	<u>\$73,546,428</u>	<u>\$2,684,120</u>	<u>\$76,230,548</u>
Increase (decrease) in net assets	<u>\$5,264,836</u>	<u>\$808,503</u>	<u>\$6,073,339</u>

The following tables present the expenses of both the Governmental Activities and the Business-type Activities of the District.

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

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Table A-3
Fiscal Year ended June 30, 2022
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$43,796,545	34,785,727
Instructional student support	8,542,022	8,542,022
Administrative	5,437,434	5,437,434
Operation and maintenance	7,530,673	7,495,153
Pupil transportation	5,584,175	3,938,683
Student activities	1,304,110	1,248,628
Community services	44,386	44,386
Interest on long-term debt	1,306,683	420,538
Total Governmental Activities	\$73,546,428	61,912,571
Less:		
Unrestricted grants, subsidies		<u>19,672,344</u>
Total Needs from Local Taxes and Other Revenues		<u>\$42,240,227</u>

Table A-4 reflects the activities of the Nutrition Service program, the only Business-type activity of the District.

Table A-4
Fiscal Year ended June 30, 2022
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Income from Services</u>
Food Services	\$2,684,120	801,799
Less:		
Miscellaneous income		<u>3,111</u>
Investment earnings		<u>3,593</u>
Total business-type activities		<u>\$808,503</u>

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund included in the complete audited financial statement will further detail the actual results of operations.

THE DISTRICT FUNDS

On June 30, 2022, the District governmental funds reported total net assets of \$13,963,294, which is a decrease of \$2,290,675. The General Fund contributed to this decrease, as noted below. General fund operations had an impact on fund balance as follows:

General Fund: The School District received total revenues of \$7.9 million over the original budget. This includes collections and payments over budget in real estate tax collection and EIT, increase in state subsidies, and ARP ESSER funds. Total expenditures were over budget by \$3.9 million, in part due to ARP ESSER purchases, increased transportation and charter school expenses as well as increased healthcare benefit expenses, utility costs, and other recurring expenses. There were no other significant unexpected expenditures during the year, so the budgetary reserve amount was not needed. Concerns over state-level issues (funding of future pension obligations and state revenue shortfalls) may also have an adverse impact on budget development in future years. Unexpected enrollment growth in charter schools and special education services represents the greatest financial threat to the future financial stability of the school district. While the District does prepare a budget in anticipation of known and potential expenditures, annual budgets are dependent upon actual experience during the current fiscal year. The recovery in the housing market and overall economy has maintained a modest growth in the school district and may positively affect the future collection of real estate and earned income taxes, even though commercial development in the district remains limited.

Capital Reserve Fund: The District is actively reviewing proposed capital projects each year. In order to fund these projects with limited need for borrowing, the District has established this fund and periodically makes transfers from

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the available fund balance of the General Fund. In the year ended June 30, 2022, the District transferred \$350,000 into the Capital Reserve Fund for use on future projects.

General Fund Budget

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments, which are permitted by State Law, are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the audited financial statements.

The District applies for federal, state, and local grants. These grants cannot always be anticipated in the budgeting process. Budgeted expenditures and other financing uses also increased by a similar amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year to recognize changes in priorities since the original adoption of the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2022, the District had \$89,429,931 invested in a broad range of capital assets, including land, buildings, furniture and equipment and construction in progress. Under GASB #34 financial statements, a comparative analysis is provided comparing prior year totals to determine the net increase or decrease in capital assets.

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

	2021	2022
Land	\$1,811,622	\$1,811,622
Buildings	\$87,126,873	\$85,784,928
Furniture & Equipment	\$1,034,133	\$1,892,534

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DEBT ADMINISTRATION

The following Table represents the District's outstanding Debt as of June 30, 2022:

Table A-6
Outstanding Debt

<u>General Obligation Debt</u>	
G. O. Bonds, Series A of 2015	\$1,495,000
G.O. Bonds, 2018	\$9,370,000
G. O. Note, 2020	\$5,938,000
G.O. Notes 2020AA	\$4,629,000
G.O. Notes 2020AAA	\$20,970,000
G.O. Notes 2020A	\$2,412,000
Total	<u>\$44,814,000</u>

Other obligations include accrued payroll, vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS' BUDGETS

The School District enrollment remained level during the 2021-22 school year. The School District's long-range projections suggest a slow decline in student enrollment with moderate declines noted in the latest Pennsylvania Department of Education (PDE) data. The trends will be monitored in light of recent economic improvements that may suggest an increase in new construction rates. The School District has not experienced voluminous assessment appeals and does not expect a significant erosion of the tax base. Changes in the collection of earned income tax through the York Adams Tax Bureau have not had a negative impact on the collected amount for the School District. Overall, the primary tax bases of the School District, taxable assessed values and earned income, are expected to remain stable.

The current collective bargaining agreement was settled during the 2018-19 fiscal year; the new contract is effective through the 2023-24 fiscal year. The new contract provides regionally competitive salary terms and comparable healthcare benefits. Through the negotiations process, the School District has initiated changes to the healthcare plan to provide cost-effective benefits to its staff at a sustainable cost. The School District continues to promote and maintain positive labor relations with its entire staff.

The state budget challenges, while troubling, have not negatively affected the School District other than the uncertainty of future funding. The School District's fund balance has been used to maintain a positive cash flow without adversely impacting programs and services.

The impact of the COVID-19 pandemic has pressed the School District's staff to design and sustain alternate instructional models, as well as develop new ways to support its new mode of service delivery. These changes have resulted in new expenditures and, at the same time, created opportunities for efficiencies and cost-avoidance. Federal ESSER and state funding helped offset the initial expenditure investments.

The expenditure budget for the 2022-23 fiscal year is \$634,000 thousand more than the original budget for 2021-22, an .83% increase. The budgeted revenues for 2022-23 increased by \$842,925 thousand, or 1.19%, due to slight increases in state funding (including the Basic Education Subsidy and the PSERS and Social Security subsidies). The reliance on local revenue to fund expenditures continues in the 2022-23 fiscal year budget.

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The comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES

	2020-21	2021-22	2022-23
Local	66.22%	65.237%	65.17%
State	32.98%	33.84%	33.83%
Federal/Other	1%	.79%	1.00%

BUDGETED EXPENDITURES

	2020-21	2021-22	2022-23
Instruction	56%	56.02%	56.04%
Support Services	33%	32.6%	32.85%
Non-Instruction/Community	1.3%	1.38%	1.41%
Budget Reserve/Debt	9.7%	10%	9.7%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to demonstrate the School Board's accountability for the funding it receives. If you have questions about this report or wish to request additional financial information, please contact Dr. George W. Ioannidis, Superintendent, or Mark A. Czapp, Director of Business Operations, at the Spring Grove Area School District, Educational Service Center, 100 East College Avenue, Spring Grove, PA 17362 or by telephone at (717) 225-4731.

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants
710 South George Street
York, Pa. 17401

Philip G. Lauer, CPA
Mark R. Kephart, CPA

Phone: 717-843-8855
Fax: 717-843-8857

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-10 and page 20 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Spring Grove Area School 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated,

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of the Spring Grove Area School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Spring Grove Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Spring Grove Area School District's internal control over financial reporting and compliance.

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
November 22, 2022

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	Governmental	Business-type	
Current Assets:	Activities	Activities	Total
Cash and Cash Equivalents	\$ 16,544,567	\$ 1,220,762	\$ 17,765,329
Investments	0	0	0
Taxes Receivable, Net	749,597	0	749,597
Internal Balances	18,923	5,700	24,623
Due from General Fund	0	0	0
Due From Other Governments	5,132,651	0	5,132,651
Other Receivables	188,407	48,860	237,267
Inventories	0	69,547	69,547
Bond Discount	0	0	0
Other Current Assets	101,864	0	101,864
Prepaid Expenses	625	0	625
Total Current Assets	22,736,634	1,344,869	24,081,503
Noncurrent Assets:			
Land	1,811,622	0	1,811,622
Right to use leased assets, net of amortization	19,943	0	19,943
Building & Building Improv. (Net of Acc. Depreciation)	85,784,928	0	85,784,928
Construction in Progress	0	0	0
Furniture & Equipment (Net of Acc. Depreciation)	1,833,381	59,153	1,892,534
Total Noncurrent Assets	89,449,874	59,153	89,509,027
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	1,998,251	0	1,998,251
Deferred amounts related to pensions	17,640,859	0	17,640,859
TOTAL ASSETS	\$ 131,825,618	\$ 1,404,022	\$ 133,229,640
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 5,700	\$ 686	\$ 6,386
Accounts Payable	968,728	450	969,178
Current Portion of Long-Term Debt	5,755,000	0	5,755,000
Lease Obligations	16,032	0	16,032
Due to Other Governments	0	0	0
Accrued G.O. Bond Interest Payable	187,707	0	187,707
Accrued Salaries and Benefits	4,011,382	5,863	4,017,245
Payroll Deductions & Withholdings	3,081,148	0	3,081,148
Deferred Revenues	58,739	132,805	191,544
Total Current Liabilities	14,084,436	139,804	14,224,240
Noncurrent Liabilities:			
Bonds/Notes Payable	39,059,000	0	39,059,000
Lease Obligations	3,911	0	3,911
Long-Term Portion of Compensated Absences	423,605	21,940	445,545
G.O. Bond Premium	102,433	0	102,433
Net Pension Liability	86,548,000	0	86,548,000
OPEB Liability	10,279,786	0	10,279,786
Total Noncurrent Liabilities	136,416,735	21,940	136,438,675
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts related to OPEB	604,512	0	604,512
Deferred amounts related to pensions	14,913,000	0	14,913,000
TOTAL LIABILITIES	166,018,683	161,744	166,180,427
NET POSITION			
Invested in Capital Assets Net of Related Debt	44,615,931	0	44,615,931
Unrestricted	(78,808,996)	1,242,278	(77,566,718)
TOTAL NET POSITION	(34,193,065)	1,242,278	(32,950,787)
TOTAL LIABILITIES AND NET POSITION	\$ 131,825,618	\$ 1,404,022	\$ 133,229,640

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction	\$ 43,796,945	\$ 0	\$ 662,458	8,348,760	\$ 0	\$ (34,785,727)	\$ 0	\$ (34,785,727)
Instructional Student Support	8,542,022	0	0	0	0	(8,542,022)	0	(8,542,022)
Admin. & Finl Support Services	5,437,434	0	0	0	0	(5,437,434)	0	(5,437,434)
Op & Main of Plant Svcs	7,530,673	0	35,520	0	0	(7,495,153)	0	(7,495,153)
Pupil Transportation	5,584,175	0	0	1,645,492	0	(3,938,683)	0	(3,938,683)
Student Activities	1,304,110	0	55,482	0	0	(1,248,628)	0	(1,248,628)
Community Services	44,386	0	0	0	0	(44,386)	0	(44,386)
Interest on Long-Term debt	1,306,683	0	0	886,145	0	(420,538)	0	(420,538)
Total Governmental Activities	73,546,428	0	753,460	10,880,397	0	(61,912,571)	0	(61,912,571)
Business-type activities:								
Food Service	2,684,120	0	319,348	3,166,571	0	0	801,799	801,799
Total primary government	\$ 76,230,548	\$ 0	\$ 1,072,808	\$ 14,046,968	\$ 0	(61,912,571)	801,799	(61,110,772)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						41,857,997	0	41,857,997
Taxes levied for Specific Purposes, net						5,222,395	0	5,222,395
Grants, subsidies, & contributions not restricted						19,672,344	0	19,672,344
Investment Earnings						116,793	3,593	120,386
Sale of Fixed Assets						0	0	0
Miscellaneous Income						307,878	3,111	310,989
Total general revenues, special items, extraordinary items and transfers						67,177,407	6,704	67,184,111
Change in Net Position						5,264,836	808,503	6,073,339
Net Position—beginning						(39,457,901)	433,775	(39,024,126)
Net Position—ending						\$ (34,193,065)	\$ 1,242,278	\$ (32,950,787)

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

SPRING GROVE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Major Fund Capital Reserve	Major Fund	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 15,215,947	\$ 1,328,620	\$ 0	\$ 16,544,567
Investments	0	0	0	0
Taxes Receivable (Net)	749,597	0	0	749,597
Due from Other Funds	18,923	999,806	0	1,018,729
Due from Other Governments	5,132,651	0	0	5,132,651
Other Receivables	188,407	0	0	188,407
Inventories	0	0	0	0
Prepaid Expenses/Expenditures	625	0	0	625
Other Current Assets	0	0	0	0
TOTAL ASSETS	\$ 21,306,150	\$ 2,328,426	\$ 0	\$ 23,634,576
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 633,511	\$ 335,217	\$ 0	\$ 968,728
Due to Other Funds	1,005,506	0	0	1,005,506
Due to other Governments	0	0	0	0
Accrued Salaries and Benefits	4,011,382	0	0	4,011,382
Payroll Deductions & Withholdings	3,081,148	0	0	3,081,148
TOTAL LIABILITIES	8,731,547	335,217	0	9,066,764
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	604,518	0	0	604,518
FUND BALANCES				
Committed - Capital Reserve	0	1,993,209	0	1,993,209
Assigned - Technology	1,000,000	0	0	1,000,000
Assigned - Capital Reserve	3,000,000	0	0	3,000,000
Assigned - PSERS	500,000	0	0	500,000
Assigned - Healthcare Costs	2,000,000	0	0	2,000,000
Assigned - Charter School	1,000,000	0	0	1,000,000
Unassigned	4,470,085	0	0	4,470,085
TOTAL FUND BALANCES	11,970,085	1,993,209	0	13,963,294
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,306,150	\$ 2,328,426	\$ 0	\$ 23,634,576

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

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

Total Fund Balances - Governmental Funds \$ 13,963,294

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$145,332,794 and the accumulated depreciation is \$55,902,863. 89,429,931

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 545,779

Bond Discount is recorded as an asset on the Statement of Net Position, but is not reported as an asset in governmental funds. 0

Prepaid Interest is recorded as an asset on the Statement of Net Position, but is not reported as an asset in governmental funds. 101,864

Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Right to use assets at historical cost	50,640
Accumulated amortization	(30,697)

Bond Issue Premium is recorded as a liability on the Statement of Net Position, but is not reported as a liability in governmental funds. (102,433)

OPEB Liability costs are recorded as a liability on the Statement of Net Position, but are not reported as a liability in governmental funds. (10,279,786)

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

Deferred outflows of resources related to pensions	17,640,859
Deferred inflows of resources related to pensions	(14,913,000)
Deferred outflows of resources related to OPEB	1,998,251
Deferred inflows of resources related to OPEB	(604,512)

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds/Notes Payable	(44,814,000)	
Accrued Interest on the Bonds	(187,707)	
Net Pension Liability	(86,548,000)	
Lease Liability	(19,943)	
Compensated Absences	(423,605)	(131,993,255)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (34,193,065)**

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Major Fund Capital Reserve	Major Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Real Estate Taxes and Penalties	\$ 41,826,358	\$ 0	\$ 0	\$ 41,826,358
Other Taxes	5,222,395	0	0	5,222,395
Interest	112,345	4,448	0	116,793
Revenue Received from Other LEAS	856,324	0	0	856,324
Tuition	662,458	0	0	662,458
Other Revenue	398,879	0	0	398,879
Total Local Sources	49,078,759	4,448	0	49,083,207
State Sources	26,399,493	0	0	26,399,493
Federal Sources	3,296,925	0	0	3,296,925
Total Revenues	78,775,177	4,448	0	78,779,625
EXPENDITURES				
Current:				
Instruction	45,441,120	0	0	45,441,120
Support Services	27,045,049	0	0	27,045,049
Non-Instructional Services	1,323,593	0	0	1,323,593
Total Current Expenditures	73,809,762	0	0	73,809,762
Capital Outlay:				
Facilities Acquisition, Construction and Improvements	0	630,384	0	630,384
Total Capital Outlay	0	630,384	0	630,384
Debt Service:				
Principal	5,425,697			5,425,697
Interest	1,204,457	0	0	1,204,457
Total Debt Service	6,630,154	0	0	6,630,154
TOTAL EXPENDITURES	80,439,916	630,384	0	81,070,300
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,664,739)	(625,936)	0	(2,290,675)
OTHER FINANCING SOURCES (USES)				
Proceeds from G.O. Bonds	0	0	0	0
Interfund Transfers	0	350,000	0	350,000
Sale/Compensation for Fixed Assets	0	0	0	0
Refunds of Prior Years Expenditures	0	0	0	0
Refunds of Prior Years Receipts	0	0	0	0
Operating Transfers Out	(350,000)	0	0	(350,000)
TOTAL OTHER FINANCING SOURCES (USES)	(350,000)	350,000	0	0
Net Change in Fund Balances	(2,014,739)	(275,936)	0	(2,290,675)
FUND BALANCE - JULY 1, 2021	13,984,824	2,269,145	0	16,253,969
FUND BALANCE - JUNE 30, 2022	\$ 11,970,085	\$ 1,993,209	\$ 0	\$ 13,963,294

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

SPRING GROVE AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds \$ (2,290,675)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period. Depreciation Expense \$(3,128,930)

Capital Outlays	2,617,856	(511,074)
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Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.

31,639

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Activities.

5,395,000

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

District pension contributions		10,724,836
Cost of pension benefits earned, net of employee contributions		(7,696,316)

OTHER - items expensed on the statement of activities but not expensed in governmental funds

Compensated Absences		151,180
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Bond Discount Amortization		0
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Accrued Interest Expense Adjustment for G.O. Bonds		28,238
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Interest Expense on Bond Refinancing		0
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Bond issue costs on refinancing		0
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Prepaid Interest Amortization		(99,767)
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Right to use leased assets capital outlay expenditures which were capitalized		30,697
Accumulated amortization		(30,697)

Bond Premium Amortization		0
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OPEB expense		(468,225)
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Change in net position of governmental activities		<u>\$ 5,264,836</u>
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The accompanying notes are an integral part of these financial statements.

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Local Sources:				
Real Estate Taxes and Penalties	\$ 40,272,445	\$ 40,272,445	\$ 41,826,358	\$ 1,553,913
Other Taxes	4,955,000	4,955,000	5,222,395	267,395
Interest	170,000	170,000	112,345	(57,655)
Revenue Received from Other LEAS	287,892	287,892	856,324	568,432
Tuition	5,000	5,000	662,458	657,458
Other Revenue	579,500	579,500	398,879	(180,621)
Total Local Sources	<u>46,269,837</u>	<u>46,269,837</u>	<u>49,078,759</u>	<u>2,808,922</u>
State Program Revenues	23,946,633	23,946,633	26,399,493	2,452,860
Federal Program Revenues	560,000	560,000	3,296,925	2,736,925
TOTAL REVENUES	<u>70,776,470</u>	<u>70,776,470</u>	<u>78,775,177</u>	<u>7,998,707</u>
EXPENDITURES				
Current:				
Regular Programs	31,459,452	31,459,452	31,785,632	(326,180)
Special Programs	9,600,793	9,600,793	11,699,925	(2,099,132)
Vocational Programs	1,534,028	1,534,028	1,634,932	(100,904)
Other Instructional Programs	148,790	148,790	320,631	(171,841)
Non Public School Programs	0	0	0	0
Support Services:				
Pre-Kindergarten	35,000	35,000	34,423	577
Pupil Personnel Services	2,716,614	2,716,614	2,719,504	(2,890)
Instructional Staff Services	5,612,039	5,612,039	5,607,633	4,406
Administrative Services	3,891,440	3,891,440	4,019,359	(127,919)
Pupil Health	767,872	767,872	790,909	(23,037)
Business Services	798,969	798,969	498,748	300,221
Operation & Maintenance of Plant Services	5,776,423	5,776,423	7,271,805	(1,495,382)
Student Transportation Services	4,862,144	4,862,144	5,381,372	(519,228)
Central & Other Support Services	652,929	652,929	721,296	(68,367)
Operation of Noninstructional Services:				
Student Activities	1,283,347	1,283,347	1,279,207	4,140
Community Services	18,000	18,000	44,386	(26,386)
Facilities Acquisition and Construction	0	0	0	0
Debt Service	7,328,723	7,328,723	6,630,154	698,569
Refund of Prior Year Receipts	0	0	0	0
TOTAL EXPENDITURES	<u>76,486,563</u>	<u>76,486,563</u>	<u>80,439,916</u>	<u>(3,953,353)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(5,710,093)	(5,710,093)	(1,664,739)	4,045,354
OTHER FINANCING SOURCES (USES)				
Refund of Prior Year Expenditures	0	0	0	0
Interfund Transfers	0	0	0	(0)
Refund of Prior Year Receipts	0	0	0	0
Sale/Compensation for Fixed Assets	0	0	0	0
Fund Transfers	0	0	(350,000)	(350,000)
Budgetary Reserve	(350,000)	(350,000)	0	350,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>(0)</u>
Net change in fund balances	<u>\$ (6,060,093)</u>	<u>\$ (6,060,093)</u>	<u>(2,014,739)</u>	<u>\$ 4,045,354</u>
FUND BALANCE - JULY 1, 2021			13,984,824	
FUND BALANCE - JUNE 30, 2022			<u>\$ 11,970,085</u>	

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,220,762
Due From Other Governments	0
Due from General Fund	5,700
Other Receivables	48,860
Other Current Assets	0
Inventories	69,547
Total Current Assets	1,344,869
Noncurrent Assets:	
Machinery & Equipment (Net of Accum. Depreciation)	59,153
Total Noncurrent Assets	59,153
TOTAL ASSETS	\$ 1,404,022
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 450
Accrued Salaries and Benefits	5,863
Deferred Revenue	132,805
Due to Other Funds	686
Total Current Liabilities	139,804
Non-Current Liabilities:	
Compensated Absences	21,940
Total Non-Current Liabilities	21,940
TOTAL LIABILITIES	\$ 161,744
NET POSITION	
Unrestricted	1,242,278
TOTAL NET POSITION	1,242,278
TOTAL LIABILITIES AND NET POSITION	\$ 1,404,022

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 310,919
Other Operating Revenue	<u>8,429</u>
TOTAL OPERATING REVENUES	<u>319,348</u>
OPERATING EXPENSES:	
Salaries	693,425
Employee Benefits	531,740
Purchased Professional and Technical Service	9,436
Purchased Property Service	19,956
Other Purchased Service	14,912
Supplies	1,404,036
Depreciation	3,610
Dues and Fees	<u>7,005</u>
TOTAL OPERATING EXPENSES	<u>2,684,120</u>
OPERATING INCOME(LOSS)	<u>(2,364,772)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings on Investments	3,593
Contributions & Donations	3,111
State Sources	234,839
Federal Sources	<u>2,931,732</u>
TOTAL NONOPERATING REV(EXP)	<u>3,173,275</u>
CHANGE IN NET POSITION	808,503
TOTAL NET POSITION - JULY 1, 2021	<u>433,775</u>
TOTAL NET POSITION - JUNE 30, 2022	<u><u>\$ 1,242,278</u></u>

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2022

	<u>Food Service</u>
Cash Flows From Operating Activities	
Cash Received from Users	\$ 343,432
Cash Received from Other Operating Revenues	0
Cash Payments to Employees for Services	(1,238,859)
Cash Payments to Suppliers for Goods and Services	(1,579,860)
Cash Payments for Other Operating Expenses	0
Net Cash Provided by (Used for) Operating Activities	<u>(2,475,287)</u>
Cash Flows From Non-Capital Financing Activities	
Local Sources	3,111
State Sources	236,407
Federal Sources	2,967,906
Net Cash Provided by (Used for) Non-Capital Financing Activities	3,207,424
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Construction/Improvements	<u>(31,139)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	(31,139)
Cash Flows From Investing Activities	
Earnings on Investments	<u>3,593</u>
Net Cash Provided by (Used for) Investing Activities	<u>3,593</u>
Net Inc (Dec) in Cash and Cash Equivalents	704,591
Cash and Cash Equivalents Beginning of Year	<u>516,171</u>
Cash and Cash Equivalents at Year End	<u>\$ 1,220,762</u>
 Operating Income (Loss)	 \$ (2,364,772)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	3,610
Increase (Decrease) in Other Non-Current Liabilities	(9,302)
(Increase) Decrease in Other Receivables	(47,366)
(Increase) Decrease in Inventories	(30,088)
(Increase) Decrease in Advances to Other Funds	20,914
Increase (Decrease) in Accounts Payable	411
Increase (Decrease) in Advances from Other Funds	(115,752)
Increase (Decrease) in Accrued Salaries Benefits	(4,392)
Increase (Decrease) in Deferred Revenue	71,450
Increase (Decrease) in Compensated Absences	0
Total Adjustments	<u>(110,515)</u>
Net Cash Provided by (Used for) Activities	<u>\$ (2,475,287)</u>

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private Purpose Trust	Agency
ASSETS		
Cash and Cash Equivalents	\$ 0	\$ 132,738
Investments	0	0
TOTAL ASSETS	0	132,738
LIABILITIES		
Accounts Payable	0	114,501
Due to Other Funds	0	18,237
TOTAL LIABILITIES	0	132,738
NET POSITION		
Unrestricted	0	0
TOTAL LIABILITIES AND NET POSITION	<u>\$ -</u>	<u>\$ 132,738</u>

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

SPRING GROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Student Activities</u>
ADDITIONS	
Receipts from Student Groups	\$ 193,489
Interest	697
	<u>194,186</u>
DEDUCTIONS	
Student Activity Disbursements	176,818
	<u>176,818</u>
 CHANGE IN NET POSITION	 17,368
 NET POSITION - JULY 1, 2021	 97,133
NET POSITION - JUNE 30, 2022	<u><u>\$ 114,501</u></u>

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

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spring Grove Area School District, York County, Pennsylvania operates a high school, a middle school, an intermediate school and three elementary schools.

The accounting policies of the Spring Grove Area School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD & A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

A change in the fund financial statements to focus on the major funds.

These changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented GASB Statement No. 34, *Basic Financial statements-and Management's Discussion and Analysis-for State and Local Governments* , for the year ended June 30, 2022.

A. REPORTING ENTITY

The Spring Grove Area School District Board of Directors is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Spring Grove Area School District. The District receives funding from local, state and federal government sources and must comply with their accompanying requirements. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB Pronouncement, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement No. 14 which are included in the District's reporting entity.

The reporting entity for Spring Grove Area School District consists only of those funds, functions and activities controlled by the School Board and required or allowed by State laws and regulations.

The financial statements of the School District include all funds and activities that are controlled by or dependent on the School District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of advisors.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING

The accounts of the Spring Grove Area School District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS - Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

CAPITAL PROJECT FUNDS - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Reserve Fund is also a classified in this category.

PROPRIETARY FUNDS

ENTERPRISE FUNDS - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - when the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Food Service Fund is a Modified Enterprise Fund because most food service funds in Pennsylvania's Public School System depend on support from the General Fund of the District as well as state and federal subsidization in order to operate.

FIDUCIARY FUNDS

TRUST & AGENCY FUNDS - Agency Funds are used to account for assets held by the District as an agent for school organizations or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Activities Fund is an Agency Fund. Nonexpendable Trusts are accounted for in essentially the same manner as proprietary funds.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION

Government-wide Financial Statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule the effect of interfund activity has been eliminated 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the school district. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District reports the following major governmental funds:

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

The capital reserve fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is 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 payment is due.

E. INVENTORY

Inventory in the General Fund is recorded as an expenditure at the time of purchase.

Inventory in the Proprietary Fund is valued at cost, except government donated food which is priced at fair market value at date of receipt.

F. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

G. RECEIVABLES AND PAYABLES

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

H. PREPAID EXPENSES

In both government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. CAPITAL ASSETS

Capital assets which include land, property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

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

All capital assets except for land 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:

<u>Assets:</u>	<u>Years</u>
Buildings & Portable Classrooms	25 - 50
Building Improvements	15 - 30
Land Improvements	20
Machinery & Equipment	5 - 15
Vehicles	5 - 8
Furniture and Fixtures	10 - 20

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5 to 25 years.

J. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

K. NET POSITION

Net Position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. USE OF ESTIMATES

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

M. NEW ACCOUNTING PRONOUNCEMENT ADOPTED:

GASB Statement No. 87, Lease Accounting - As of July 1, 2021, the School District adopted GASB Statement No. 87, Lease Accounting. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents consist of the following as of June 30, 2022:

<u>Name of Bank</u>	<u>Book Balance</u>	<u>Rate</u>	<u>Bank Balance</u>
<u>Governmental Funds:</u>			
<u>Major Funds</u>			
<u>General Fund</u>			
Checking-ACNB Bank	\$ 6,174,159	Various	\$ 7,267,635
M&T PayPal Account	50		50
PayPal Funds	466		466
Susquehanna Lockbox	0		0
PSDLAF	9,039,001		9,039,001
Savings-PLGIT PLUS	1,538	Various	1,538
Class-PLGIT	203		203
Petty Cash-On Hand	530		0
Total Major Fund / General Fund	15,215,947		16,308,893
<u>Capital Reserve Fund</u>			
Checking-ACNB Bank	775,886		777,730
PSDLAF	552,734	Various	552,734
Total Major Fund / Capital Reserve Fund	1,328,620		1,330,464
<u>Total Governmental Funds:</u>	\$ 16,544,567		\$ 17,639,357
<u>Business-type Activities</u>			
Checking-ACNB Bank	\$ 1,220,762	Various	\$ 654,613
Petty Cash-On Hand	0		0
	\$ 1,220,762		\$ 654,613

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Fiduciary Funds

Activities Fund

	<u>Book Balance</u>	<u>Rate</u>	<u>Bank Balance</u>
Checking - ACNB Bank	\$ 132,738		\$ 143,482
Checking - M & T Bank	0		0
Total Activity Funds	<u>\$ 132,738</u>		<u>\$ 143,482</u>

Investments consist of the following as of June 30, 2022:

<u>Type</u>	<u>Bank</u>	<u>Amount</u>	<u>Rate</u>
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Governmental Funds:

General Fund

Certificates of Deposit	Susquehanna Bank	\$ 0	Various
Certificates of Deposit	PSDLAF	0	Various
Certificates of Deposit	PLGIT	0	Various
		<u>\$ 0</u>	

Capital Reserve Fund

Certificates of Deposit	PSDLAF	<u>\$ 0</u>	Various
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Fiduciary Funds:

Activity Fund

Certificates of Deposit	BB & T	<u>\$ 0</u>	Various
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Trust Fund

Certificates of Deposit	Susquehanna Bank	\$ 0	Various
Certificates of Deposit	Sovereign Bank	0	Various
		<u>\$ 0</u>	

All of the School District's investments and cash deposits are covered by FDIC or FSLIC or collateralized in accordance with Act 72.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2022, \$18,186,936 of the District's bank balance of \$18,437,452 was exposed to custodial credit risk as:

Uninsured and Uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	18,186,936
Uninsured and collateral held by the pledging bank's trust department not in the District's name	0
	<u>\$ 18,186,936</u>

Reconciliation to Financial Statements:

Collateralized with securities held by the pledging financial institution	\$ 18,186,936
Plus: Insured Amount	250,516
Plus: Deposits in Transit	614,390
Less: Outstanding Checks	(1,154,305)
Carrying Amount - Bank Balances	<u>17,897,537</u>
Plus: Petty Cash	530
Total Cash per Financial Statements	<u><u>\$ 17,898,067</u></u>

Cash Summary per Respective Funds:

Statement of Net Position - Cash - Governmental Funds	\$ 16,544,567
Statement of Net Position - Cash - Proprietary Funds	1,220,762
Statement of Net Position - Cash - Fiduciary Funds	132,738
Total Cash per Financial Statements	<u><u>\$ 17,898,067</u></u>

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

INVESTMENTS:

Credit Risk - risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the actual ratings for each investment as of the end of the year:

Ratings as of Year End

<u>Investment Type</u>	<u>Amount</u>	<u>S & Ps AAAm</u>	<u>S & Ps AAm</u>	<u>Moody's Baa2</u>
PSDLAF - CD's	\$ 0	\$ 0	\$ 0	\$ 0
PLGIT - CD's	0			
BB & T - CD's	0			
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Concentration of Credit Risk - risk of loss attributed to the magnitude of an entity's investment in a single issuer. Disclosure occurs by issuer and amount of investments in any one issuer that represent 5% or more of total investments for the entity:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
PSDLAF - CD's	\$ 0	100.00%
PLGIT - CD's	0	0.00%
BB & T - CD's	0	0.00%
Total	<u>\$ 0</u>	<u>100.00%</u>

Interest Rate Risk - is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the entity's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Entity's investments by maturity:

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>		
	<u>Amount</u>	<u>Less than 1</u>	<u>1 and 5</u>
PSDLAF - CD's	\$ 0	\$ -	\$ -
PLGIT - CD's	0		
Susquehanna Bank - CD's	0		
Total	\$ 0	\$ -	\$ -

NOTE 3 - DELINQUENT TAXES RECEIVABLE

This account represents unpaid real estate taxes from preceding years returned to the Tax Claims Bureau for collections, and certain interim taxes not yet collected. This account is offset by real estate tax revenues on the statement of activities for the government-wide financial statement presentation and offset by deferred revenues in the liability section of the balance sheet for the fund financial statement presentation.

NOTE 4 - GENERAL LONG-TERM DEBT

On February 17, 2015, Spring Grove Area School District issued General Obligation Bonds, Series A of 2015, for the purpose of : (1) currently refunding the School Districts General Obligation Bonds, Series of 2009, and (2) paying costs of issuing the General Obligation Bonds Series A of 2015. Spring Grove Area School District issued the G.O. Note Series AAA of 2020 (Federally Taxable) to refinance the Series of 2015A Bonds.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Issue Amount</u>
2015	October 1, 2028	0.25 - 5.000 %	<u>\$ 27,375,000</u>

A summary of the maturity dates of the General Obligation Issue of 2015A is as follows:

<u>Year</u>	<u>Amount</u>
2023	1,495,000
TOTAL	<u>\$ 1,495,000</u>

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

On July 18, 2018, Spring Grove Area School District issued General Obligation Bonds, Series of 2018, for the purpose of : (1) the current refunding of the School Districts General Obligation Bonds, Series of 2013, and (2) paying costs of issuing the General Obligation Bonds of 2018.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Issue Amount</u>
2018	October 1, 2026	1.95 - 2.90%	<u>\$ 9,750,000</u>

A summary of the maturity dates of the General Obligation Issue of 2018 is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	140,000	2026	2,435,000
2024	1,950,000	2027	2,510,000
2025	2,335,000		

TOTAL

\$ 9,370,000

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

On December 31, 2020, Spring Grove Area School District issued General Obligation Notes, Series of 2020, for the purpose of : (1) currently refunding the School Districts General Obligation Bonds, Series AA of 2012, and (2) paying costs of issuing the General Obligation Notes Series of 2020.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Issue Amount</u>
2020	February 15, 2028	0.91500	<u>\$ 712,500</u>

A summary of the maturity dates of the General Obligation Issue of 2020 is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	668,000	2026	111,000
2024	778,000	2027	1,156,000
2025	769,000	2028	2,456,000

TOTAL

<u>\$ 5,938,000</u>

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

On December 22, 2020, Spring Grove Area School District issued General Obligation Note, Series A of 2020, for the purpose of : (1) the current refunding of the School Districts General Obligation Notes, Series of 2014, and (2) paying costs of issuing the General Obligation Note of 2020A.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Issue Amount</u>
2020	August 15, 2023	0.50%	<u>\$ 4,449,000</u>

A summary of the maturity dates of the General Obligation Issue of 2020A is as follows:

<u>Year</u>	<u>Amount</u>
2023	2,091,000
2024	321,000

TOTAL	<u><u>\$ 2,412,000</u></u>
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On December 22, 2020, Spring Grove Area School District issued General Obligation Note, Series AA of 2020, for the purpose of : (1) refunding the District's outstanding General Obligation Notes, Series of 2017, and (2) paying costs of issuing the General Obligation Note Series AA of 2020.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Issue Amount</u>
2020	February 15, 2026	0.835%	<u>\$ 6,676,000</u>

A summary of the maturity dates of the General Obligation Issue of 2020AA is as follows:

<u>Year</u>	<u>Amount</u>
2023	1,151,000
2024	1,149,000
2025	1,150,000
2026	1,179,000

TOTAL	<u><u>\$ 4,629,000</u></u>
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SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

On December 22, 2020, Spring Grove Area School District issued General Obligation Notes, Series AAA of 2020, for the purpose of : (1) the current refunding of the School Districts General Obligation Bonds, Series A of 2015, and (2) paying costs of issuing the General Obligation Notes of 2020. These Notes are federally taxable.

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Issue Amount</u>
2020	October 1, 2028	1.175%	<u>\$ 20,970,000</u>

A summary of the maturity dates of the General Obligation Issue of 2020 is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2023	210,000	2027	2,910,000
2024	2,070,000	2028	4,131,000
2025	2,096,000	2029	6,794,000
2026	2,759,000		
TOTAL			<u>\$ 20,970,000</u>

During the fiscal year ended June 30, 2022, general long-term debt activity is summarized as follows:

Balance - July 1, 2021	\$ 50,209,000
Note/Bond Proceeds - New Issues	0
Principal Repayments	(5,395,000)
Bond Refunding	0
Balance - June 30, 2022	<u>\$ 44,814,000</u>
Interest Paid	<u>\$ 1,306,683</u>

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - GENERAL LONG-TERM DEBT (CONTINUED)

LEASE OBLIGATIONS - RIGHT TO USE ASSETS:

Spring Grove Area School District has recorded leased assets as a result of implementing GASB # 87. The right to use assets are initially measured at an amount equal to the measurement of the related lease liability as of July 1, 2021.

Spring Grove Area School District entered into a lease agreement on October 27, 2017 for a Toshiba 1057 Copier System . The lease requires 60 monthly payments of \$1,318.28. The lease was recorded by the District in the financial statements as a right to use asset with a net book value of \$5,273.

Spring Grove Area School District entered into a lease agreement on December 3, 2018 for a Toshiba 907 Copier System. The lease requires 60 monthly payments of \$782.20. The lease was recorded by the District in the financial statements as a right to use asset with a net book value of \$13,297.

Spring Grove Area School District entered into a lease agreement on June 29, 2021 for (4) Kyocera Taskalfa Copiers. The lease requires 15 monthly payments of \$457.61. The lease was recorded by the District in the financial statements as a right to use asset with a net book value of \$1,373.

Right to Use Lease Asset Activity Charts:

	Beginning Balance	Lease Additions	Amortization	Ending Balances
Toshiba 1057 Copier	21,092		15,819	5,273
Toshiba 907 Copier	22,684		9,387	13,297
Kyocera Copiers		6,864	5,491	1,373
	43,776	6,864	30,697	19,943

Future Minimum Payments:

Year ending June 30	Principal Payments
2023	16,032
2024	3,911
	19,943

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2022 was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balances
Land	\$ 1,811,622	\$ 0	\$ 0	\$ 1,811,622
Buildings & Improvements	128,341,342	1,441,173	0	129,782,515
Machinery & Equipment	12,561,974	1,176,683	0	13,738,657
Construction in Progress	0	0	0	0
Total Capital Assets	\$ 142,714,938	\$ 2,617,856	\$ 0	\$ 145,332,794

Accumulated Depreciation activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Buildings & Improvements	\$ 41,214,469	\$ 2,783,118	\$ 0	\$ 43,997,587
Machinery & Equipment	11,559,464	345,812	0	11,905,276
	\$ 52,773,933	\$ 3,128,930	\$ 0	\$ 55,902,863
Governmental Activities Capital Assets, Net	\$ 89,941,005	\$ (511,074)	\$ 0	\$ 89,429,931

Business-type Activities:

Capital Asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Food Service Equipment	\$ 424,650	\$ 31,139	\$ 0	\$ 455,789

Accumulated Depreciation activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Food Service Equipment	\$ 393,026	\$ 3,610	\$ 0	\$ 396,636
Business-type Activities Capital Assets, Net	\$ 31,624	\$ 27,529	\$ 0	\$ 59,153

NOTE 6 - ACCUMULATED COMPENSATED ABSENCES

It is the School District's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon separation from the School District's service. For the government-wide financial statement presentation, the amount, \$445,545 of compensated absences is recorded as a liability on the statement of net position. In the fund financial statement presentation, the cost of sick leave is recognized when payments are made to employees.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE - 7 - PENSION PLAN

1. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS'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.

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System included 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 publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the members' 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 members' 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 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

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE - 7 - PENSION PLAN (CONTINUED)

members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

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

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the members qualifying compensation. All new hires after June 30, 2011, who elect Class T - F membership, contribute at 10.3% (base rate) of the members qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Members who joined the System on or after July 1, 2019, contribute according to Membership Class T-G - 5.50% base rate with shared risk provision and 2.75% direct contribution rate, T-H - 4.50% base rate with shared risk provision and 3.00% direct contribution rate. Code DC has only a direct contribution rate of 7.50%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2022 was 33.99% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$10,724,836 for the year ended June 30, 2022.

2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2022 the School reported a liability of \$86,548,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2022, the School's proportion was .2108%, which was an increase of .0013 from its proportion measured as of June 30, 2021 which was .2095%.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE - 7 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2022, the District recognized pension expense of \$7,633,000. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		1,137,000
Net difference between projected and actual investment earnings		13,776,000
Changes in proportions	2,011,000	
Changes in assumptions	4,198,000	
Difference between employer contributions and proportionate share of total contributions	707,023	
Contributions subsequent to the measurement date	10,724,836	
	<u>17,640,859</u>	<u>14,913,000</u>

\$10,724,836 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	(1,469,000)
2024	(1,201,000)
2025	(1,519,000)
2026	(4,451,000)

Actuarial assumptions

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021.

The Investment Rate of Return was 7.00%, includes inflation of 2.5%.

Salary growth changed from an effective average of 4.50%, which comprised of inflation of 2.50%, and 2.00% for real wage growth and for merit or seniority increases.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE - 7 - PENSION PLAN (CONTINUED)

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:

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

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 the period ending June 30, 2020.

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

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

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

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

Sensitivity of the School's Proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE - 7 - PENSION PLAN (CONTINUED)

Discount rate

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

Sensitivity of the School's Proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
School's proportionate share of the net pension liability	113,597,000	86,548,000	63,730,000

Pension plan fiduciary net position

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

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 - EARNED INCOME TAX

The York County Earned Income Tax Bureau is audited by other independent auditors. Our examination was limited to tracing general ledger receipts to bank deposits.

NOTE 9 - BUDGET

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

- (a) Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (b) The Board of Directors approves the total budget appropriations and authorizes budget transfers. The level of budgetary responsibility is by total appropriation.
- (c) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
- (d) Unexpended appropriations at year-end lapse.

NOTE 10 - REVENUE RECOGNITION - PROPERTY TAXES

Property taxes are recognized in the year received. For fund financial statement presentation, property taxes outstanding are recorded as an asset and offset in the liability section as a deferred revenue, for government-wide financial statement presentation, property taxes outstanding are recorded as an asset and offset by real estate tax revenues on the statement of activities.

Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

Property taxes attach as an enforceable lien on property as of January 15. Taxes are levied on July 1 and are due and payable at that time. All unpaid taxes levied on July 1 become delinquent November 1.

NOTE 11 - CONTINGENCIES

The District is from time to time subject to routine litigation incidental to School District activities. While the final resolution of any matter may have an impact on the District's financial results for a particular reporting period, the District believes the ultimate disposition of any such litigation would not have a materially adverse effect upon the financial position of the District.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - OTHER INFORMATION

Lincoln Benefit Trust

The School District is a member of Lincoln Benefit Trust. The trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the seventeen participating School Districts. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits.

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$50,000 and \$150,000 are paid from the Trust minipool. Claims incurred for \$150,000 to \$2,000,000 are paid from a stop loss insurance policy purchased by the Trust.

Under provisions of GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, the School District must record a liability for claims when the loss is probable, it can be reasonably estimated, and it exceeds cumulative contributions. The contingent liability, if any, cannot be fully determinable until such time that the School District withdraws from the trust. As of June 30, 2022, a liability is not required because the School District's cumulative contributions to the Trust exceed the accrued and incurred claims.

Changes in net assets for the School District's account were as follows for the year ended:

	<u>June 30, 2022</u>
Net position - July 1, 2021	\$ 4,598,785
Contributions and interest income	6,747,840
Claims paid	(6,684,595)
Stop-loss insurance	(717,512)
PA trust insurance premium	(360,397)
PA trust reimbursement	191,356
PA trust experience refund	45,342
Stop-loss experience refund	881,181
Other deductions	(23,374)
Administrative fees	<u>(279,284)</u>
Net position - June 30, 2022	<u><u>\$ 4,399,342</u></u>

Overall, the Lincoln Benefit Trust had net assets of \$85,107,384 at July 1, 2021 and \$77,511,069 at June 30, 2022, which resulted in an decrease in net assets of \$7,596,315. Financial Statements for Lincoln Benefit Trust are available at the school district.

NOTE 13 - ALLOCATION OF DEPRECIATION EXPENSE ON THE STATEMENT OF ACTIVITIES

Instruction	\$ 1,722,293
Instructional Student Support	548,553
Admin. & Finl. Support Services	198,031
Op. & Maint. Of Plant Svcs.	406,453
Pupil Transportation	202,803
Student Activities	50,797
	<u><u>\$ 3,128,930</u></u>

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN

The Spring Grove Area School District Postemployment Benefits plan is administered by Lincoln Benefit Trust. This Trust is a cost-sharing multiple-employer plan which issues its own financial report.

Summary of Plan Provisions:

<u>Group</u>	<u>Eligibility</u>	<u>Coverage and Premium Sharing</u>	<u>Duration</u>
I. Act 93 and Contracted Administrators	Subsidized-30 years of PSERS service and 10 years of district service (5 as an administrator) Unsubsidized-Act 110/43	Coverage: Medical, Prescription Drug, and Dental benefits for Retiree Premium Sharing: If Retiree is eligible for subsidized coverage, retiree pays 30% of Medical, Prescription Drug, and Dental premiums after being reduced by the PSERS supplement for up to 10 years. After 10 years or if Retiree is not eligible for subsidized coverage, Retiree may continue coverage under Act 110/43 by providing payment equal to the premium determined for the purpose of COBRA. Retiree may continue Dental coverage under Act 110/43 by paying 100% of the premium. Dependent Coverage: Available if fully paid by Retiree.	Coverage is provided until Retiree is eligible for Medicare or until Retiree's death, whichever is earlier. Spouse coverage ends at spouse Medicare eligibility if earlier than above.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Summary of Plan Provisions:

<u>Group</u>	<u>Eligibility</u>	<u>Coverage and Premium Sharing</u>	<u>Duration</u>
II. All Other Employees	Act 110/43	Act 110/43: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.	Same as I

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Assumptions and Methods

Interest Rate

2.28%

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

Withdrawal

Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

Mortality

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Age 55 & 25 years of service

Age	Male	Female
55	19%	19%
56	17%	17%
57	17%	17%
58	17%	17%
59	22%	21%

Superannuation

Male	Female
27%	10%
32%	30%
32%	30%
32%	35%
31%	36%

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

<u>Age 55 & 25 years of service</u>		
Age	Male	Female
60	14%	17%
61	29%	30%
62	51%	61%
63	26%	26%
64	21%	22%
65	100%	100%

<u>Superannuation</u>	
Male	Female
31%	36%
29%	31%
51%	61%
26%	26%
21%	22%
100%	100%

Percent of Eligible retirees Electing Coverage in Plan

100% of employees eligible for a district subsidy and 65% of eligible only eligible for Act 110/43 are assumed to elect coverage. 10% of retirees deferring coverage are assumed to elect coverage at age 62, or age on valuation date, if older.

Percent married at Retirement

35% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental costs are assumed to not vary with age or gender. The resulting costs are as follows:

Age	Medical and Rx Combined	
	Males	Females
45-49	\$ 7,642	\$ 11,036
50-54	10,120	12,473
55-59	12,327	13,051
60-64	16,085	14,993

Retiree Contributions

Retiree Contributions are assumed to increase the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term reserve applications.

Health Care Cost Trend Rate

5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Value of Assets

Equal to the Market Value of Assets

Actuarial Cost Method - Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Plan Participant Information

Active Participants	425
Vested Former Members	17
Retired Participants	16
Total	458

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

COST SHARING MULTIPLE- EMPLOYER DEFINED BENEFIT OPEB PLAN

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

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 term. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost-sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, 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, 2020 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 1/2 or more years of service or
Are a disability retiree, or
Have 15 or more years of service and retired after reaching superannuation age, and
Participate in the HOP or employer-sponsored health insurance program.

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System included 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 publicly available financial report that can be obtained at www.psers.state.pa.us.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$0 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$5,011,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .2114 percent, which was an increase of .0019 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$358,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	47,000	
Net difference between projected and actual investment earnings	10,000	
Changes in proportions	231,000	37,000
Changes in assumptions	534,000	67,000
	<u>822,000</u>	<u>104,000</u>

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

\$ 0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	139,000
2024	138,000
2025	139,000
2026	134,000
2027	94,000
Thereafter	72,000

3. Actuarial Assumptions

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

Actuarial cost method - Entry Age Normal - level % of pay.

Investment return - 2.18% - S & P 20 Year Municipal Bond Rate

Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Premium Assistance reimbursement is capped at \$1,200 per year.

Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality 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 following assumptions were used to determine the contribution rate:

The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.

Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

Asset Valuation method: Market Value

Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

Mortality Tables for males and females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0.10%
US Core Fixed Income	17.5%	0.70%
Non-US Developed Fixed	2.7%	-0.30%
	<u>100.0%</u>	

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

Discount Rate

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

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

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

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's Proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
School's proportionate share of the net pension liability	5,751,000	5,011,000	4,402,000

Pension plan fiduciary net position

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

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Single Employer Defined Benefit OPEB Plan

The District's other post-employment benefits (OPEB) include a single-employer defined benefit plan that provides medical and life insurance benefits to eligible retirees and their dependent. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system.

Funding Policy

The District's contributions are funded on a pay-as-you go basis.

OPEB Liability

The District's change in its OPEB liability for the year ended June 30, 2022 was as follows

Balances as of July 1, 2021	5,120,059
Differences between expected and actual experience	-
Service cost	370,872
Interest on total OPEB liability	100,652
Benefit payments	(146,799)
Changes of assumptions	(175,908)
Net Charges	148,817
Balances as of June 30, 2022	<u>5,268,876</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	416,924	
Net difference between projected and actual investment earnings		
Changes in proportions		
Changes in assumptions	598,946	500,512
Benefit payments subsequent to the Measurement Date	160,381	
	1,176,251	500,512

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

<u>Year Ended June 30:</u>	
2023	46,172
2024	46,172
2025	46,172
2026	46,172
2027	46,172
Thereafter	284,498

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	4,541,364	5,268,876	6,144,336

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability for June 30, 2022, calculated using the discount rate of 2.28%, as well as what OPEB liability would be if the discount rate were 1-percentage point lower (1.28%) or 1-percentage point higher (3.28%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% increase</u>
	<u>1.28%</u>	<u>2.28%</u>	<u>3.28%</u>
OPEB liability	5,692,826	5,268,876	4,864,135

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - GASB # 54 FUND BALANCE IMPLEMENTATION

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable - include fund balance amounts that cannot be spent either because it not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end. The Capital Reserve Fund is included here.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.

The following have been assigned:

Technology Upgrades	\$	1,000,000
Capital Reserve		3,000,000
PSERS		500,000
Healthcare Costs		2,000,000
Charter School		1,000,000
Total Designated Fund Balances:	\$	<u>7,500,000</u>

Unassigned includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The amount of the unassigned fund balance for Spring Grove Area School District is \$4,470,085 for the year ending June 30, 2022.

NOTE 17 - SUBSEQUENT EVENTS

Management of the School District has evaluated subsequent events through the date of the audit report. No subsequent events were noted.

SPRING GROVE AREA SCHOOL DISTRICT

SUPPLEMENTAL

INFORMATION

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants
710 South George Street
York, Pa. 17401

Philip G. Lauer, CPA
Mark R. Kephart, CPA

Phone: 717-843-8855
Fax: 717-843-8857

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 62 through 76 is presented for purposes of additional analysis and is not a required part of the basic general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kochenour, Earnest, Smyser, & Burg

Certified Public Accountants

York, Pennsylvania
November 22, 2022

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
District's proportion of the net pension liability (asset)	21.0800%	20.9500%	20.6800%	19.9200%
District proportionate share of the net pension liability (asset)	86,548,000	103,156,000	96,746,000	95,626,000
District's covered-employee payroll	29,974,868	29,409,927	28,522,879	26,825,824
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	288.74%	350.75%	339.19%	356.47%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%

Amounts were determined as of the cost-sharing plan's June 30, 2021 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

**SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS PENSION PLAN
YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution	10,017,813	9,787,187	9,260,992	8,452,709
Contributions in relation to the contractually required contribution	<u>10,017,813</u>	<u>9,787,187</u>	<u>9,260,992</u>	<u>8,452,709</u>
Contribution deficiency (excess)	0	0	0	0
District's covered-employee payroll	29,974,868	29,409,927	28,522,879	26,825,824
Contributions as a percentage of covered-employee payroll	33.42	33.28	32.47	31.51

Amounts were determined as of the cost-sharing plan's June 30, 2021 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN
YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019
Total OPEB Liability				
Service cost	\$ 370,872	\$ 267,719	\$ 269,322	\$ 244,206
Interest on total OPEB liability	100,652	143,455	123,257	119,485
Benefit payments	(146,799)	(120,805)	(133,113)	(161,529)
Differences between expected and actual experience	-	149,926	-	403,784
Changes in assumptions	<u>(175,908)</u>	<u>612,552</u>	<u>(131,178)</u>	<u>(327,741)</u>
Net change in total OPEB liability	148,817	1,052,847	128,288	278,205
Total OPEB Liability, Beginning	<u>5,120,059</u>	<u>4,067,212</u>	<u>3,938,924</u>	<u>3,660,719</u>
Total OPEB Liability, Ending	<u><u>\$ 5,268,876</u></u>	<u><u>\$ 5,120,059</u></u>	<u><u>\$ 4,067,212</u></u>	<u><u>\$ 3,938,924</u></u>
Covered Employee Payroll	<u><u>\$ 27,436,763</u></u>	<u><u>\$ 27,436,763</u></u>	<u><u>\$ 25,402,199</u></u>	<u><u>\$ 25,402,199</u></u>
Total OPEB Liability as a percent of covered employee payroll	19.20%	18.66%	16.01%	15.51%

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.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY - PSERS COST SHARING PLAN
YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019
School's proportion of the net OPEB liability	21.1400%	20.9500%	20.6800%	19.9200%
School's proportionate share of the net OPEB liability	<u>\$ 5,011,000</u>	<u>\$ 5,120,059</u>	<u>\$ 4,398,000</u>	<u>\$ 4,153,000</u>
School's covered-employee payroll	<u>\$ 29,974,868</u>	<u>\$ 27,436,763</u>	<u>\$ 25,402,199</u>	<u>\$ 25,402,199</u>
School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	18.66%	17.31%	16.35%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%

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.

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS -
PSERS COST SHARING PLAN
YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019
Contractually required contribution	\$ 246,000	\$ 247,000	\$ 237,000	\$ 223,000
Contributions in relation to the contractually required contribution	<u>(246,000)</u>	<u>(247,000)</u>	<u>(237,000)</u>	<u>(223,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	<u>\$ 29,974,868</u>	<u>\$ 27,436,763</u>	<u>\$ 25,402,199</u>	<u>\$ 25,402,199</u>
Contributions as a percentage of covered-employee payroll	0.82%	0.90%	0.93%	0.88%

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.

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants
710 South George Street
York, Pa. 17401

Philip G. Lauer, CPA
Mark R. Kephart, CPA

Phone: 717-843-8855
Fax: 717-843-8857

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

To the Board of Directors
Spring Grove Area School District
Spring Grove, 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 activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Spring Grove Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 22, 2022.

Report on Internal Control over Financial Reporting

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

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

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

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants

York, Pennsylvania
November 22, 2022

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FOOD NUTRITION SERVICE
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/ Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Grant Period Begin</u>	<u>End</u>	<u>Program Or Award Amt.</u>	<u>Total Rec. For Year 06/30/22</u>	<u>Accrued/ (Deferred) Revenue At 07/01/21</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue At 06/30/22</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH PA DEPARTMENT OF EDUCATION:											
Title I c/o 10-8514	I	84.010	013-200413	7/1/19	9/30/20	470,344	57,727	57,727	0	0	0
Title I c/o 10-8514	I	84.010	013-210413	7/1/20	9/30/21	489,276	375,423	356,199	19,224	19,224	0
Title I 10-8514	I	84.010	013-220414	7/1/21	9/30/22	574,874	420,109	0	573,216	573,216	153,107
sub-total Title I							853,260	413,927	592,440	592,440	153,107
Title II Improv Teacher Qual c/o10-8515	I	84.367	020-200413	7/1/19	9/30/20	96,371	64,040	64,040	0	0	0
Title II Improv Teacher Qual 10-8515	I	84.367	020-210413	7/1/20	9/30/21	101,747	78,172	78,172	0	0	0
Title II Improv Teacher Qual 10-8515	I	84.367	020-220414	7/1/21	9/30/22	106,713	77,927	0	106,713	106,713	28,786
sub-total Title II							220,140	142,213	106,713	106,713	28,786
Title IV Student Support & Academic E	I	84.424	144-210413	7/1/20	6/30/21	164,920	27,439	27,439	0	0	0
Title IV Student Support & Academic E	I	85.424	144-220414	7/1/21	6/30/22	36,794	36,773	0	36,794	36,794	21
sub-total Title IV 10-8517							64,212	27,439	36,794	36,794	21
COVID-19 SECIM 10-8512	I	84.425C	252-210413	3/13/20	9/30/21	35,984	26,515	10,990	15,524	15,524	0
CARES ACT-ESSER Fund Local 10-8741	I	84.425D	200-200413	3/13/20	9/30/21	386,314	304,985	296,180	8,805	8,805	0
CARES ACT-ESSER Fund Local 10-8743	I	84.425D	200-210413	3/13/20	9/30/23	1,806,743	672,276	0	1,038,009	1,038,009	365,733
ARP ESSER Fund Local 10-8744	I	84.425D	223-210413	3/13/20	9/30/23	3,654,518	199,337	0	1,005,150	1,005,150	805,813
ARP ESSER 7% 10-8751	I	84.425	225-210413	3/13/20	9/30/24	202,884	25,822	0	0	0	(25,822)
ARP ESSER 7% 10-8752	I	84.425	225-210413	3/13/20	9/30/24	40,577	5,164	0	0	0	(5,164)
ARP ESSER 7% 10-8753	I	84.425	225-210413	3/13/20	9/30/24	40,577	5,164	0	19,281	19,281	14,117
ARP ESSER Homeless Children 10-8754	I	84.425	181-212412	3/13/20	9/30/24	19,123	1,471	0	0	0	(1,471)
sub-total CARES ACT-ESSER 84.425							1,240,734	307,170	2,086,769	2,086,769	1,153,205
TOTAL DEPARTMENT OF EDUCATION-PDE							2,378,346	890,749	2,822,716	2,822,716	1,335,119
PASSED THROUGH PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY											
Grant Cares Act	I		2019-ss-01-31616	/2021	6/30/2022	192,004	184,263	0	192,004	192,004	7,741
PASSED THROUGH LIU #12:											
Idea-Part B 10-6832	I	84.027	062-10-012A	7/1/21	6/30/22	699,766	699,766	0	699,766	699,766	0
Idea-Part B ARP Supplemental 10-6833	I	84.027	062-10-012A	7/1/21	6/30/22	150,090	150,090	0	150,090	150,090	0
Idea-Sec 619 10-6832	I	84.173	062-10-012A	7/1/21	6/30/22	6,468	6,468	0	6,468	6,468	0
sub-total LIU #12							856,324	0	856,324	856,324	0
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH PA DEPARTMENT OF AGRICULTURE:											
National School Lunch- Donated Commodities	I	10.555	N/A	7/1/21	6/30/22	N/A (a)	217,986 (b)	0	217,986 (c)	217,986 (d)	0
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH PA DEPARTMENT OF EDUCATION:											
<u>National School Lunch Program</u>											
- Federal-Lunch HI/Low	I	10.555	362	7/1/21	6/30/22	N/A	2,255,346	24,512	2,230,834	2,230,834	0
- Federal - Ndy Brkfst	I	10.553	365	7/1/21	6/30/22	N/A	491,511	11,662	479,849	479,849	0
- Supply Chain Assistance	I	10.555	356	7/1/21	6/30/23	N/A	79,857	0	0	0	(79,857)
sub-total U.S. Department of Agriculture-Cluster Total							3,044,700	36,174	2,928,669	2,928,669	(79,857)
P-EBT Local Admin Funds	I	10.649	358	1/1/22	1/31/22	N/A	3,063	0	3,063	3,063	0
TOTAL FEDERAL ASSISTANCE							6,466,696	926,923	6,802,776	6,802,776	1,263,003
State:											
- State-Lunch	I	N/A	510	7/1/21	6/30/22	N/A	68,308	954	67,354	67,354	0
- State - Brkfst-Needy	I	N/A	511	7/1/21	6/30/22	N/A	19,501	614	18,887	18,887	0
TOTAL STATE ASSISTANCE							87,809	1,569	86,241	86,241	0

Source Codes: D = Direct Funding
I = Indirect Funding

(a) Total Amount of Commodities Received
from Department of Agriculture.
(b) Beginning Inventory at July 1

(c) Total Amount of Commodities Used.
(d) Ending Inventory at June 30

f: Auditors/fedasst

SPRING GROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 - ORGANIZATION AND SCOPE

Spring Grove Area School District, York County, Pennsylvania operates a high school, a junior high school, an intermediate school and three elementary schools.

The district received federal funds to operate the programs for the benefit of some of the students as detailed on the schedule of Federal Awards, which covers the period from July 1, 2021 to June 30, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports federal programs in its financial statements and on the Schedule of Federal Awards on the accrual basis.

NOTE 3 - REPORTING ENTITY

The Spring Grove Area School District Board of Directors is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Spring Grove Area School District. The District receives funding from local, state and federal government sources and must comply with their accompanying requirements. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The reporting entity for Spring Grove Area School District consists only of those funds, functions, and activities controlled by the School Board and required or allowed by State laws and regulations.

The financial statement of the School District includes all funds and activities that are controlled by or dependent on the School District. Control or dependence is determined on the basis of budget adoption, taxing authority, and funding and appointment of advisors.

Note 4 - Indirect Cost Rate

The School has elected not to use the ten-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - Non-Monetary Assistance

NSLP - Value of USDA Donated Commodities (CFDA #10.555) - The School received commodities from the Pennsylvania Department of Agriculture valued functions, and activities controlled by the School Board and required or allowed by State laws and regulations.

NOTE 6 - FEDERAL AWARDS

Total Federal Expenditures	6,802,776
	20%
	<u>\$ 1,360,555</u>

Percentage of Coverage Rule

Spring Grove Area School District falls under the 20% rule for testing federal programs.

Federal Program Tested

National School Lunch	\$ 2,230,834	
Breakfast Program	479,849	
Donated Commodities	217,986	
Idea	856,324	
ARP ESSERS	1,038,009	
Cares Act - ESSER	1,005,150	
	<u>\$ 5,828,152</u>	86%
-71-		

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants

710 South George Street

York, Pa. 17401

Philip G. Lauer, CPA
Mark R. Kephart, CPA

Phone: 717-843-8855
Fax: 717-843-8857

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

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

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

To the Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

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 Spring Grove Area School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Kochenour, Earnest, Smyser & Burg
Certified Public Accountants

SPRING GROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

A. Summary of the Auditors' Results:

- 1 . An unmodified opinion was issued on the District's financial statements at June 30, 2022.
- 2 . There was no significant deficiencies or material weaknesses in internal control disclosed by the audit of the general purpose financial statements.
- 3 . There was no noncompliance disclosed during our audit which was material to the financial statements.
- 4 . There were no significant deficiencies or material weaknesses disclosed in internal control over the federal programs tested.
- 5 . An unmodified opinion was issued on the compliance of the federal programs tested.
- 6 . There were no audit findings for the fiscal year ended June 30, 2022.
- 7 . The federal programs tested as major programs were the National School Lunch, Donated Commodities, and Breakfast Programs, IDEA, ARP-ESSERS and Cares Act - ESSERS which accounted for 86% of the federal expenditures. Spring Grove Area School District falls under the 20% rule for testing federal programs.
- 8 . Federal expenditures are \$750,000 or more but less than \$25 million. Type A programs are the programs with total program expended funds of \$750,000 or more. The National School Lunch, Donated Commodities, and Breakfast Programs, IDEA, ARP-ESSERS and Cares Act - ESSERS are Type A programs. All other programs are Type B.
- 9 . Spring Grove Area School District was determined to be a low-risk auditee.

B. Findings relating to the financial statements which are required to be reported under generally accepted government auditing standards issued by the Comptroller General of The United States.

There were no findings in the Spring Grove Area School District for the fiscal year ending June 30, 2022.

C. Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs for Federal Awards in fiscal year ending June 30, 2022.

SPRING GROVE AREA SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS
JUNE 30, 2022

There were no findings or questioned costs for federal awards in fiscal year ending June 30, 2021.

KOCHENOUR, EARNEST, SMYSER & BURG

Certified Public Accountants
710 South George Street
York, Pa. 17401

Philip G. Lauer, CPA
Mark R. Kephart, CPA

Phone: 717-843-8855
Fax: 717-843-8857

Board of Directors
Spring Grove Area School District
Spring Grove, Pennsylvania

November 22, 2022

Re: Management Letter

Board of Directors:

We have completed our audit of Spring Grove Area York School District for the year ended June 30, 2022.

We have audited the accompanying basic financial statements of the Spring Grove Area School District as of and for the year ended June 30, 2022. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our audit report in accordance with the above standards stating that the basic financial statements present fairly in all material respects the financial position of the Spring Grove Area School District.

In planning and performing our audit, we considered Spring Grove Area School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spring Grove Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Spring Grove Area School District's internal control over financial reporting.

We have also audited the compliance of Spring Grove Area School District with the types of compliance requirements described in the Uniform Guidance Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2022.

We did not have any findings or questioned costs for the year ended June 30, 2022.

Tax Assessment Appeal:

An assessment appeal covering several prior tax years is ongoing by a taxpayer in the district. Since this is an ongoing appeal and has not yet reached a conclusion, any financial information regarding this appeal cannot be determined at this time.

Legal Matter

Spring Grove Area School District is involved in a legal action with a former transportation contractor. This is an ongoing legal action and has yet to reach a final conclusion so any financial information regarding this cannot be determined at this time.

We would like to take this opportunity to thank Mark Czapp, Jennifer Leppo and their staff for the cooperation and assistance we received during the course of our audit.

Sincerely,

Kochenour, Earnest, Smyser & Burg

Certified Public Accountants