

FOREST CITY REGIONAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022
&
INDEPENDENT AUDITORS' REPORT**

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Brian T. Kelly, CPA
& Associates, LLC

INDEPENDENT AUDITORS' REPORT

To the School Board of the
Forest City Regional School District:

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, 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 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 on pages 7 through 17, and the required supplementary information on pages 58 through 62 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.

A handwritten signature in blue ink that reads "B. Kelly CPA & Associates L.L.C." The signature is written in a cursive, flowing style.

Carbondale, Pennsylvania
February 14, 2023

FOREST CITY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the Forest City Regional School District (the "District") for the year ended June 30, 2022. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should review the basic financial statements and the notes to the financial statements for a better understanding of the District as a whole.

FINANCIAL HIGHLIGHTS

Total net position of the District increased \$1,472,881 in 2022 to \$(10,824,089) at June 30, 2022. Net position of the governmental activities increased \$1,298,595 from 2021. Net position of the business-type activity increased \$174,286 from 2021.

The District had \$15,860,488 in expenses related to governmental activities in 2022; only \$5,705,459 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$11,453,624 were adequate to provide for these programs but our net position increased due lower long-term liabilities, specifically the net pension liability.

In the District's business-type activity, net position increased by \$174,286. In addition to meeting all National School Lunch Program requirements, the District has continued to provide a Universal Free Breakfast and Lunch through June 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The statement of net position presents information on all of the District's assets and liabilities and deferred inflows and outflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 17 and 18 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for the District's major funds, the General Fund, the Capital Projects Fund and the Debt Service Fund.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 23 of this report to demonstrate compliance with this budget.

PROPRIETARY FUND

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

FIDUCIARY FUND

The District accounts for its custodial fund as a fiduciary fund. The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-56 of this report.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

GENERAL FUND BUDGETARY HIGHLIGHTS

The District prepares a budget each year for its General fund according to Pennsylvania law. The budget complied with all applicable state laws and financial policies approved by the School Board of Directors.

The General Fund's approved budget for 2022 included revenue of \$15,738,772 and expenditures and other financing uses of \$16,025,180. There were no amendments made to the budget in 2022.

Actual revenues were higher than budgeted revenues in 2022 by \$1,408,725. Actual expenditures were higher than budgeted expenditures in 2022 by \$1,238,315. This was true across all areas of expenditures due to continuing effects of the pandemic, increased charter school costs and the increase in special education costs.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's condensed government-wide financial statements are presented comparatively as follows:

CONDENSED STATEMENT OF NET ASSETS (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		% Change
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
Current and other assets	\$ 10,908	\$ 7,315	\$ 336	\$ 166	\$ 11,244	\$ 7,481	50.30%
Capital Assets	12,514	12,814	32	32	12,546	12,846	-2.34%
Deferred Outflows of Resources	<u>3,750</u>	<u>3,904</u>	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>3,904</u>	-3.94%
TOTAL	<u>\$ 27,172</u>	<u>\$ 24,033</u>	<u>\$ 368</u>	<u>\$ 198</u>	<u>\$ 27,540</u>	<u>\$ 24,231</u>	13.66%
Current Liabilities	\$ 2,623	\$ 1,773	\$ 7	\$ 12	\$ 2,630	\$ 1,785	47.34%
Long-term liabilities:							
Due within one year	553	597	-	-	553	597	-7.37%
Due after one year	<u>31,413</u>	<u>32,850</u>	<u>-</u>	<u>-</u>	<u>31,413</u>	<u>32,850</u>	-4.37%
Total Liabilities	<u>34,589</u>	<u>35,220</u>	<u>7</u>	<u>12</u>	<u>34,596</u>	<u>35,232</u>	-1.81%
Deferred Inflows of Resources	<u>3,767</u>	<u>1,296</u>	<u>-</u>	<u>-</u>	<u>3,767</u>	<u>1,296</u>	190.66%
Net Position:							
Net investment in capital assets	1,823	4,543	32	32	1,855	4,575	-59.45%
Restricted	-	11	-	-	-	11	-100.00%
Unrestricted	<u>(13,007)</u>	<u>(17,037)</u>	<u>329</u>	<u>154</u>	<u>(12,678)</u>	<u>(16,883)</u>	24.91%
Total Net Position	<u>(11,184)</u>	<u>(12,483)</u>	<u>361</u>	<u>186</u>	<u>(10,823)</u>	<u>(12,297)</u>	11.99%
TOTAL	<u>\$ 27,172</u>	<u>\$ 24,033</u>	<u>\$ 368</u>	<u>\$ 198</u>	<u>\$ 27,540</u>	<u>\$ 24,231</u>	13.66%

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CONDENSED STATEMENT OF ACTIVITIES (IN 000'S)

	Governmental Activities		Business Type Activities		Totals		% Change
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	
Program Revenues:							
Charges for Services	\$ 238	\$ 279	\$ 91	\$ 44	\$ 329	\$ 323	1.86%
Operating grants and contributions	5,467	4,721	722	443	6,189	5,164	19.85%
General Revenues:							
Taxes levied for general purposes	7,368	7,102			7,368	7,102	3.75%
Grants, subsidies and contributions not restricted	4,015	3,894			4,015	3,894	3.11%
Other	<u>71</u>	<u>129</u>	<u>1</u>	<u>1</u>	<u>72</u>	<u>130</u>	-44.62%
Total Revenues	<u>17,159</u>	<u>16,125</u>	<u>814</u>	<u>488</u>	<u>17,973</u>	<u>16,613</u>	8.19%
Program Expenses:							
Instruction	10,022	10,174			10,022	10,174	-1.49%
Instructional student support	959	957			959	957	0.21%
Administration and financial support services	1,672	1,946			1,672	1,946	-14.08%
Operation and maintenance of plant services	1,029	1,018			1,029	1,018	1.08%
Pupil transportation	1,495	1,272			1,495	1,272	17.53%
Student activities	224	203			224	203	10.34%
Interest on bonds payable	159	217			159	217	-26.73%
Loss on disposal of capital assets	-	-			-	-	>100.00%
Unallocated depreciation	300	866			300	866	-65.36%
Food service	<u>-</u>	<u>-</u>	<u>639</u>	<u>540</u>	<u>639</u>	<u>540</u>	18.33%
Total expenses	<u>15,860</u>	<u>16,653</u>	<u>639</u>	<u>540</u>	<u>16,499</u>	<u>17,193</u>	-4.04%
Change in net position	1,299	(528)	175	(52)	1,474	(580)	354.14%
Net position, beginning	<u>(12,483)</u>	<u>(11,955)</u>	<u>186</u>	<u>238</u>	<u>(12,297)</u>	<u>(11,717)</u>	-4.95%
Net Position, ending	<u>\$ (11,184)</u>	<u>\$ (12,483)</u>	<u>\$ 361</u>	<u>\$ 186</u>	<u>\$ (10,823)</u>	<u>\$ (12,297)</u>	11.99%

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

GOVERNMENTAL ACTIVITIES

The net position of the governmental activities increased by \$1,298,595 in 2022. Revenues increased by \$1,034,042 or more than 6% from 2021. Overall, district expenses increased by \$793,219 or 5%.

BUSINESS-TYPE ACTIVITY

The net position of the District's food service operation increased by \$174,286 from 2021 due to an increase in food service revenue such as ala carte items offered, catering sales, and food service reimbursements from meals.

FINANCIAL ANALYSIS OF THE FUNDS

GENERAL FUND (MAJOR)

The following represents a summary of General Fund revenue, by source, along with changes from 2021:

	<u>2022 Amount</u>	<u>2021 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 7,776,683	\$ 7,532,409	\$ 244,274	3.24 %
State sources	7,944,256	7,860,132	84,124	1.07%
Federal sources	<u>1,426,558</u>	<u>799,419</u>	<u>627,139</u>	78.45%
Total	<u>\$17,147,497</u>	<u>\$16,191,960</u>	<u>\$ 955,537</u>	5.90%

LOCAL SOURCES

The majority of the increase in local source revenue is attributable to increases in real estate and real estate transfer taxes.

STATE SOURCES

An increase in state sources is due to the prior year receivables.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

FEDERAL SOURCES

The increase in federal sources is primarily due to COVID/ESSER grants.

The following represents a summary of General Fund expenditures, by function, along with changes from 2021:

	<u>2022 Amount</u>	<u>2021 Amount</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Instruction	\$ 10,960,906	\$ 10,140,520	\$ 820,386	8.09 %
Support services	5,295,520	5,026,350	269,170	5.36 %
Non-instructional services	236,614	201,925	34,689	17.18 %
Other	<u>690,741</u>	<u>653,194</u>	<u>37,547</u>	5.74 %
Total	<u>\$17,183,781</u>	<u>\$16,021,989</u>	<u>\$1,161,792</u>	7.25 %

INSTRUCTION

The District had increased costs related to Special Education, along with salaries and benefits.

SUPPORT SERVICES

The District had increased costs due to increased salaries and benefits costs.

NON-INSTRUCTIONAL SERVICES

The District had increased costs for technology services and athletic activities.

OTHER

The debt service remained relatively stable with a slight increase in payments for our issuance of Bond Series 2020.

CAPITAL PROJECTS FUNDS (MAJOR)

The Capital Projects Fund accounts for major construction projects in the District. Fund balance at June 30, 2022 was \$2,874,608, which represents capital reserve funds for future capital needs.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

DEBT SERVICE FUND (MAJOR)

The Debt Service Fund accounts for the proceeds of, and payment on, notes and bonds payable. In 2022, the District paid a total of \$715,788 in current debt service, including \$560,000 of principal.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2022 is summarized below.

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITY</u>	<u>TOTALS</u>
Land	\$ 7,624		\$ 7,624
Land improvements	344,288		344,288
Buildings and improvements	23,009,804		23,009,804
Furniture and equipment	<u>1,517,677</u>	<u>\$ 234,849</u>	<u>1,752,526</u>
Total	24,879,393	234,849	25,114,242
Less accumulated depreciation	<u>12,365,310</u>	<u>203,264</u>	<u>12,568,574</u>
Net	<u>\$ 12,514,083</u>	<u>\$ 31,585</u>	<u>\$12,545,668</u>

Additional information on the District's capital assets can be found on page 39 of this report.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

LONG TERM DEBT

At June 30, 2022, the District's general obligation debt was \$10,691,402. This amount is approximately 36% of its legal limit of \$29.7 million. \$520,000 of this debt is scheduled for payment in 2023. The District's bonds have an A2 enhanced rating from Moody's Investors Service and a AA rating from Standard and Poor's. The enhanced outlook is stable. Additional information on the District's long-term debt can be found on page 40 of this report.

ECONOMIC CONDITION AND OUTLOOK

The District is residential in nature and has experienced only modest growth in its tax base and student enrollment remains static.

As a result of the minimal tax growth in the tax base and the state's lack of progress in addressing adequate funding for school districts, the District raised its real estate tax levies to the maximum amount allowed under Act 1. Although the Act 1 index was 4.4%, this allowed for a 2.86% increase in Wayne County, a 4.4% increase in Susquehanna County, and a 4.01% increase in Lackawanna County for fiscal year 2022.

COVID 19: On March 6, 2020 Governor Wolf declared a disaster emergency for the Commonwealth of Pennsylvania and on March 13, 2020 Governor Wolf closed all K-12 education facilities. At the time, the closure was for a two-week period, but with the rising number of COVID 19 cases in the Commonwealth, that closure continued until the end of June 2020, per Governor Wolf's orders. The District maintained continuity of education for our students and kept all full/part time employees employed along with all transportation contracts in tact as per Act 13 of 2020. Act 13 guaranteed continued state education funding and the commonwealth's share of employee benefits along with their share of transportation expenses as if the transportation contractors continued to transport our students for the remainder of the school year.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted March 27, 2020. The District received \$244,259 in funds to assist us with implementing new cleaning and sanitizing procedures throughout our buildings and purchasing technology for a one-to-one initiative that allowed our students to work virtually from home when needed. This one-to-one initiative was an important step for our district as we moved into the 2020-2021 School Year.

FOREST CITY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

For fiscal year 2024, the District can raise taxes without PDE approval or voter referendum by a 5.3% index. The Board of Education is considering a resolution stating that the District will not increase the rate of any tax for the support of its public schools for the 2024 fiscal year by more than the index established by the Department of Education for the district. The District is able to do this now that our Fund Balance has grown and we continue to see increases to our tax base and to our revenue from Real Estate Transfer Taxes and Wage Taxes.

The District has labor contracts with both the Professional and Support Professional unions that run through Fiscal Year 2026.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michelle Gogolski, Business Manager, Forest City Regional School District, 100 Susquehanna Street, Forest City, PA 18421.

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITY	TOTAL
<u>ASSETS & DEFERRED OUTFLOWS OF RESOURCES</u>			
Current assets:			
Cash and cash equivalents	\$ 5,870,334	\$ 359,045	\$ 6,229,379
Taxes receivable, net	390,855		390,855
Due from other governments	1,269,090	27,899	1,296,989
Due (to) from other funds	79,442	(78,615)	827
Other receivables	145,508		145,508
Prepaid expenses	29,575		29,575
Inventories		27,952	27,952
Total current assets	7,784,804	336,281	8,121,085
ASSETS HELD FOR CAPITAL PROJECTS	3,123,339		3,123,339
CAPITAL ASSETS	12,514,083	31,585	12,545,668
Total assets	23,422,226	367,866	23,790,092
DEFERRED OUTFLOWS OF RESOURCES	3,750,205		3,750,205
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 27,172,431</u>	<u>\$ 367,866</u>	<u>\$ 27,540,297</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
Current liabilities:			
Accounts payable	\$ 191,649	\$ 437	\$ 192,086
Accrued salaries and benefits	2,266,170		2,266,170
Current maturities of bonds payable	520,000		520,000
Current portion of compensated absences	33,100		33,100
Accrued interest	100,534		100,534
Unearned revenues	65,164	6,928	72,092
Total current liabilities	3,176,617	7,365	3,183,982
BONDS PAYABLE	10,171,402		10,171,402
COMPENSATED ABSENCES	297,909		297,909
OTHER POSTEMPLOYMENT BENEFITS	1,853,183		1,853,183
NET PENSION LIABILITY	19,091,000		19,091,000
Total liabilities	34,590,111	7,365	34,597,476
DEFERRED INFLOWS OF RESOURCES	3,766,910		3,766,910
NET POSITION:			
Net investment in capital assets	1,822,681	31,585	1,854,266
Unrestricted	(13,007,271)	328,916	(12,678,355)
Total net position	(11,184,590)	360,501	(10,824,089)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 27,172,431</u>	<u>\$ 367,866</u>	<u>\$ 27,540,297</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION		TOTAL
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITY	
Governmental activities:						
Instruction	\$ (10,022,003)	\$ 227,454	\$ 3,725,573	\$ (6,068,976)		\$ (6,068,976)
Instructional student support	(959,024)		137,124	(821,900)		(821,900)
Administration and financial support services	(1,672,126)		176,395	(1,495,731)		(1,495,731)
Operation and maintenance of plant services	(1,029,042)		100,000	(929,042)		(929,042)
Pupil transportation	(1,494,587)		961,219	(533,368)		(533,368)
Student activities	(223,936)	10,988	17,945	(195,003)		(195,003)
Interest on bonds payable	(159,124)		348,761	189,637		189,637
Unallocated depreciation expenses	(300,646)			(300,646)		(300,646)
Total governmental activities	(15,860,488)	238,442	5,467,017	(10,155,029)		(10,155,029)
Business-type activity,						
Food service	(639,677)	91,499	721,875		\$ 173,697	173,697
TOTAL	\$ (16,500,165)	\$ 329,941	\$ 6,188,892	(10,155,029)	173,697	(9,981,332)
General revenues:						
Taxes levied for general purposes, net				7,368,159		7,368,159
Grants, subsidies and contributions not restricted				4,014,630		4,014,630
Miscellaneous income				54,212		54,212
Investment earnings				16,623	589	17,212
Total general revenues				11,453,624	589	11,454,213
Change in net position				1,298,595	174,286	1,472,881
Net position, beginning				(12,483,185)	186,215	(12,296,970)
Net position, ending				\$ (11,184,590)	\$ 360,501	\$ (10,824,089)

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	MAJOR FUNDS		
	GENERAL	CAPITAL PROJECTS	TOTALS
ASSETS:			
Cash and cash equivalents	\$ 5,870,334	\$ 3,123,339	\$ 8,993,673
Taxes receivable	390,855		390,855
Due from other funds	328,173		328,173
Due from other governments	1,269,090		1,269,090
Other receivables	145,508		145,508
Prepaid expenses	29,575		29,575
Total assets	\$ 8,033,535	\$ 3,123,339	\$ 11,156,874
LIABILITIES:			
Accounts payable	\$ 191,649		\$ 191,649
Due to other funds		\$ 248,731	248,731
Accrued salaries and benefits	2,266,170		2,266,170
Payroll deductions and withholdings	65,164		65,164
Total liabilities	2,522,983	248,731	2,771,714
DEFERRED INFLOWS OF RESOURCES,			
Unavailable revenue - property taxes	243,916		243,916
FUND BALANCES:			
Restricted			-
Committed	4,113,000	2,874,608	6,987,608
Assigned			-
Unassigned	1,153,636		1,153,636
Total fund balances	5,266,636	2,874,608	8,141,244
Total liabilities, deferred inflows of resources and fund balances	\$ 8,033,535	\$ 3,123,339	\$ 11,156,874

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 8,141,244
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 are not reported in the funds	12,514,083
Real estate taxes receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds	243,916
Accrued interest payable is included on the statement of net position	(100,534)
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Bonds payable	(10,691,402)
Total OPEB liability and related deferred outflows and inflows of resources	(1,586,888)
Compensated absences	(331,009)
Net pension liability and related deferred outflows and inflows of resources	<u>(19,374,000)</u>
TOTAL NET POSITION - GOVERNMENT ACTIVITIES	<u>\$ (11,184,590)</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	MAJOR FUNDS			TOTALS
	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	
REVENUES:				
Local sources	\$ 7,776,683	\$ 3,076		\$ 7,779,759
State sources	7,944,256			7,944,256
Federal sources	1,426,558			1,426,558
Total revenues	17,147,497	3,076	-	17,150,573
EXPENDITURES:				
Instruction	10,960,906			10,960,906
Support services	5,295,520	20	\$ 92,920	5,388,460
Noninstructional services	236,614			236,614
Capital outlay		87,355		87,355
Debt service			715,788	715,788
Refund of prior year revenues	3,166		-	3,166
Total expenditures	16,496,206	87,375	808,708	17,392,289
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	651,291	(84,299)	(808,708)	(241,716)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of bonds			2,910,000	2,910,000
Bond premium			87,840	87,840
Transfers in		2,947,538	644,956	3,592,494
Transfers out	(687,575)		(2,904,919)	(3,592,494)
Total other financing sources (uses)	(687,575)	2,947,538	737,877	2,997,840
NET CHANGE IN FUND BALANCES	(36,284)	2,863,239	(70,831)	2,756,124
FUND BALANCE, BEGINNING	5,302,920	11,369	70,831	5,385,120
FUND BALANCE, ENDING	\$ 5,266,636	\$ 2,874,608	\$ -	\$ 8,141,244

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,756,124
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Amounts reported for governmental activities
in the statement of activities are different because:

Depreciation expense is reported in the statement of activities	(300,646)
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Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds. This amount is the net change in revenue accrued between the prior and current year	8,510
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Issuance of long-term obligation provides current financial resources in the funds	(2,997,840)
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Repayment of long-term obligations uses current financial resources and is reported in the funds but not the statement of activities	560,000
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Amortization of premium on bonds payable	18,435
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Change in accrued interest on bonds payable	(21,771)
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Change in total OPEB liability and related deferred outflows and inflows	36,461
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Change in compensated absences	35,322
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Change in net pension liability and related deferred outflows and inflows	<u>1,204,000</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,298,595</u>
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See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:			
Local sources	\$ 7,301,198	\$ 7,776,683	\$ 475,485
State sources	7,841,074	7,944,256	103,182
Federal sources	<u>596,500</u>	<u>1,426,558</u>	<u>830,058</u>
Total revenues	<u>15,738,772</u>	<u>17,147,497</u>	<u>1,408,725</u>
EXPENDITURES:			
Instruction	10,041,133	10,960,906	(919,773)
Support services	4,963,778	5,295,520	(331,742)
Noninstructional services	252,980	236,614	16,366
Refund of prior year revenues	<u>-</u>	<u>3,166</u>	<u>(3,166)</u>
Total expenditures	<u>15,257,891</u>	<u>16,496,206</u>	<u>(1,238,315)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>480,881</u>	<u>651,291</u>	<u>170,410</u>
OTHER FINANCING SOURCES (USES):			
Transfers out	<u>(767,289)</u>	<u>(687,575)</u>	<u>79,714</u>
Total other financing sources (uses):	<u>(767,289)</u>	<u>(687,575)</u>	<u>79,714</u>
NET CHANGE IN FUND BALANCE	(286,408)	(36,284)	250,124
FUND BALANCE, BEGINNING	<u>5,132,949</u>	<u>5,302,920</u>	<u>169,971</u>
FUND BALANCE, ENDING	<u>\$ 4,846,541</u>	<u>\$ 5,266,636</u>	<u>\$ 420,095</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 359,045
Due from other governments	27,899
Inventories	<u>27,952</u>

Total current assets 414,896

CAPITAL ASSETS 31,585

TOTAL \$ 446,481

LIABILITIES AND NET POSITION

LIABILITIES:

Current liabilities:

Due to other funds	\$ 78,615
Accounts payable	437
Unearned revenues	<u>6,928</u>

Total current liabilities 85,980

NET POSITION:

Invested in capital assets	31,585
Unrestricted	<u>328,916</u>

Total net position 360,501

TOTAL \$ 446,481

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING REVENUES,	
Food service revenue	\$ 91,499
OPERATING EXPENSES:	
Salaries	190,360
Employee benefits	123,642
Purchased property services	4,996
Other purchased services	922
Food and supplies	307,713
Depreciation	9,531
Other	<u>2,513</u>
Total operating expenses	<u>639,677</u>
OPERATING LOSS	<u>(548,178)</u>
NONOPERATING REVENUES:	
Earnings on investments	589
State sources	54,849
Federal sources	<u>667,026</u>
Total nonoperating revenues	<u>722,464</u>
NET INCOME	174,286
TOTAL NET POSITION, BEGINNING	<u>186,215</u>
TOTAL NET POSITION, ENDING	<u>\$ 360,501</u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from users	\$ 90,001
Cash payments to employees for services	(346,015)
Cash paid to suppliers for goods and services	<u>(266,048)</u>
Net cash used in operating activities	<u>(522,062)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State sources	42,953
Federal sources	<u>378,229</u>
Net cash used in noncapital financing activities	<u>421,182</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES,

Capital outlay	<u>(8,820)</u>
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CASH FLOWS PROVIDED BY INVESTING ACTIVITIES,

Earnings on investments	<u>589</u>
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CHANGE IN CASH AND CASH EQUIVALENTS	(109,111)
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CASH AND CASH EQUIVALENTS, BEGINNING	<u>468,156</u>
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CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 359,045</u></u>
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SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS,

USDA donated commodities	<u><u>\$ 47,427</u></u>
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**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES:**

Operating loss	\$ (548,178)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,531
USDA donated commodities	47,427
Increase or decrease in:	
Due to/from other funds	(27,191)
Inventories	1,112
Accounts payable	(3,265)
Unearned revenues	<u>(1,498)</u>

NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (522,062)</u></u>
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See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2022

ASSETS

CASH	<u><u>\$ 102,871</u></u>
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LIABILITIES AND NET POSITION

OTHER CURRENT LIABILITIES	<u>\$ 827</u>
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NET POSITION RESTRICTED FOR:	
Individuals, organizations and other governments	<u>102,044</u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 102,871</u></u>
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See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND FOR THE YEAR ENDED JUNE 30, 2022

ADDITIONS:	
Fundraising	\$ 85,415
Dues	8,307
Donations	4,473
Interest income	<u>195</u>
Total additions	<u>98,390</u>
DEDUCTIONS,	
Supplies	89,009
Scholarships	3,275
Dues	1,381
Security	<u>1,195</u>
Total deductions	<u>94,860</u>
CHANGE IN NET POSITION	3,530
NET POSITION, BEGINNING	<u>98,514</u>
NET POSITION, ENDING	<u><u>\$ 102,044</u></u>

See Notes to Financial Statements

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF OPERATIONS AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

The major accounting principles and practices followed by the Forest City Regional School District (the "District") are summarized below:

NATURE OF OPERATIONS

The District provides elementary and secondary education to the residents of the following municipalities: Clinton Township, Mount Pleasant Township, Vandling Borough, Forest City Borough, Union Dale Borough, and Herrick Township.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in Statement 14, as amended by Statement 39 issued by the Governmental Accounting Standards Board ("GASB"). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the District as a whole, excluding fiduciary activities, on a full accrual, economic resource basis. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged to customers. The District's General and Debt Service Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services to users of the District's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following is a description of the governmental funds of the District:

GENERAL FUND (MAJOR)

The General Fund accounts for the general operations of the District and all financial transactions not accounted for in another fund.

Capital Projects Fund (Major)

The Capital Projects Fund accounts for the financial resources to be used for acquisition, renovation or construction of major capital facilities. The District accounts for its Capital Reserve Fund as a Capital Projects Fund.

DEBT SERVICE FUND (MAJOR)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term obligations.

PROPRIETARY FUND TYPE

Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is the Food Service Fund, an Enterprise fund-type, which accounts for the food service operations of the District. The Food Service Fund distinguishes between operating revenues and expenses and nonoperating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies and other direct costs. All other revenues and expenses are reported as nonoperating.

FIDUCIARY FUND TYPES

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or other governmental units. The fund included in this category is:

CUSTODIAL FUND

The Custodial Fund accounts for assets held, collected, and disbursed on behalf of various student activities and clubs.

MEASUREMENT FOCUS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's total net position.

FUND FINANCIAL STATEMENTS

Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

ACCRUAL BASIS

Government-wide financial statements and the proprietary and fiduciary fund type financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Tax revenues are recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

MODIFIED ACCRUAL BASIS

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. The District considers property and other taxes as available if they are collected within 60 days after year-end. Expenditures, other than principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds payable, compensated absences, special termination benefits, and claims and judgments are recorded as fund liabilities when due and unpaid.

ALLOCATION OF INDIRECT EXPENSES

The District does not allocate any indirect expenses, including depreciation.

BUDGETARY DATA

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the administration to prepare and submit a plan of financial operation to the School Board.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and money market funds, which are carried at cost.

INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out method) or market except for donated inventories, which are valued at fair market value, as determined by the U.S. Department of Agriculture, at the date of donation. Textbooks and instructional and custodial supplies are charged to expense upon acquisition.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the Food Service Fund are reported both in the business-type activity of the government-wide statement of net position and in the fund financial statements.

All capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are reported at their fair value at date of receipt. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land and construction in progress are depreciated. Land is never depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	GOVERNMENTAL <u>ACTIVITIES</u>	BUSINESS-TYPE <u>ACTIVITY</u>
Land improvements	15 – 20 years	N/A
Buildings and improvements	5 – 40 years	N/A
Furniture and equipment	5 – 20 years	5 - 30 years

The District does not have any infrastructure capital assets.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The balance sheet and statement of net position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, which are reported after total assets, are defined by GASB as a consumption of net position that applies to future periods. The expense is recognized in the applicable future period(s). Deferred inflows of resources, which are reported after total liabilities, are defined by GASB as an acquisition of net assets that applies to future periods. The revenue, or reduction of expense, is recognized in the applicable future period(s). Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The District is required to report the following as deferred outflows of resources and deferred inflows of resources:

- Unavailable revenue – property taxes, which represents the portion of taxes receivable that does not meet both the measurable and available criteria for recognition in the current period in the governmental funds balance sheet. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed as a deferred inflow of resources and the revenue is recognized.
- For the defined benefit pension plan and the other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, the net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the District's proportion of expenses and liabilities to the pension as a whole, differences between the District's pension contributions and its proportionate share of contributions, and District contributions subsequent to the valuation measurement date.

UNEARNED REVENUE

The District reports unearned revenue on its financial statements. Unearned revenue arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when cash is received prior to the provision of services. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

COMPENSATED ABSENCES

The District's collective bargaining agreements with its professional staff and employment agreements with support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated (subject to maximum accumulations). The rate paid varies by position. Vacation leave is available only to administrative and twelve month support employees and may be carried over in certain instances; however, there is no provision for payout of unused vacation days.

PENSIONS

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

GOVERNMENT FUND BALANCE CLASSIFICATIONS

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its governmental fund balances as follows:

- *Non-spendable* – includes fund balance amounts that cannot be spent either because it is 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 District through formal action of the District's "highest level of decision-making authority" which do not lapse at year-end. The School Board is its highest level of decision-making authority, and the School Board commits funds through resolutions.

- *Assigned* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through formal action of the School Board.
- *Unassigned* – includes fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

NET POSITION

Net position is the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. The District maintains the following classifications of net position:

- Net investment in capital assets – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.
- Restricted – the portion of net position subject to externally imposed conditions.
- Unrestricted – all other categories of net position. Net position may be designated for specific purposes by the School Board.

ELIMINATIONS AND INTERNAL BALANCES

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled “internal balances” on the statement of net position.

RESTRICTED RESOURCES

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

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued its Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement was effective for 2022, however the adoption had no effect on the financial statements of the District.

In June 2018, the GASB issued its Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. This statement was effective for 2022, however the adoption had no effect on the financial statements of the District.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Pennsylvania Public School Code of 1949, as amended, permits the District to invest only in certain types of investments. The District's deposits and investments adhere to these statutes.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District's has adopted a policy requiring that deposits in excess of insurance limits shall be collateralized pursuant to law. At June 30, 2022, the bank balance of the District's deposits with financial institutions, including cash equivalents and certificates of deposit, was \$9,562,808, compared to the carrying amount of \$9,455,589. The difference is primarily due to deposits in transit and outstanding checks. \$9,062,808 of the District's deposits was exposed to custodial credit risk, all of which was uninsured and collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with Commonwealth of Pennsylvania Act 72 of 1971, as amended.

3. REAL ESTATE TAXES

The real estate taxes for the District are collected from two boroughs and three townships. The tax on real estate, as levied by the School Board, was 99.03 mills (\$99.03 per \$1,000 of assessed valuation) in Lackawanna County, 46.78 mills (\$46.78 per \$1,000 of assessed valuation) in Susquehanna County and 17.49 mills (\$17.49 per \$1,000 of assessed valuation) in Wayne County. Each county determines the assessed valuation of property and the elected tax collectors are responsible for collection.

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The schedule for real estate taxes levied for each fiscal year is as follows:

August 1	Levy Date
August 1 – September 30	2% discount period
October 1 – November 30	Face payment period
December 1 – December 31	10% penalty period
January 1	Lien date

Delinquent real estate taxes receivable at June 30, 2022 amounted to \$390,855. The amount of taxes receivable is reported net of an allowance for doubtful collections of \$45,074.

4. DUE FROM OTHER GOVERNMENTS

The amount reported in the General Fund at June 30, 2022 as due from other governments is summarized below:

Commonwealth of Pennsylvania:	
State source revenue	\$ 549,325
Federal source revenue	550,670
Pennsylvania Commission on Crime and Delinquency,	
State source revenue	16,731
Northeastern Educational Intermediate Unit #19:	
Federal source revenue	1,890
Pennsylvania Department of Human Services:	
Federal source revenue	1,891
County of Lackawanna	9,462
County of Susquehanna	5,035
County of Wayne	13,866
Other local education agencies	<u>120,220</u>
Total	<u>\$ 1,269,090</u>

The amount reported in the Food Service Fund as due from other governments of \$27,899 represents \$830 due from the PDE for state subsidies, as well as \$27,069 in federal funds passed through the PDE.

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in the District's capital assets in 2022 are summarized as follows:

	BALANCE JULY 1, <u>2021</u>	INCREASES	DECREASES	BALANCE JUNE 30, <u>2022</u>
<u>Governmental activities:</u>				
Cost:				
Land	\$ 7,624			\$ 7,624
Land improvements	344,288			344,288
Buildings and improvements	23,009,804			23,009,804
Furniture and equipment	<u>1,517,677</u>			<u>1,517,677</u>
Total cost	<u>24,879,393</u>			<u>24,879,393</u>
Less accumulated depreciation:				
Land improvements	(353,856)	\$ 20,448		(333,408)
Buildings and improvements	(10,325,734)	(404,594)		(10,730,328)
Furniture and equipment	<u>(1,385,074)</u>	<u>83,500</u>		<u>(1,301,574)</u>
Total accumulated depreciation	<u>(12,064,664)</u>	<u>(300,646)</u>		<u>(12,365,310)</u>
Governmental activities capital assets, net	<u>\$ 12,814,729</u>	<u>\$ (300,646)</u>		<u>\$ 12,514,083</u>
<u>Business-type activity:</u>				
Furniture and equipment	\$ 234,849	\$ 8,820		\$ 243,669
Less accumulated depreciation	<u>(202,553)</u>	<u>(9,531)</u>		<u>(212,084)</u>
Business-type activity capital assets, net	<u>\$ 32,296</u>	<u>\$ (711)</u>		<u>\$ 31,585</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

6. BONDS PAYABLE

During its June 30, 2021 fiscal year, the District issued \$7,960,000 of general obligation bonds (Series of 2020) to currently refund the Series of 2015 general obligation bonds. These bonds are due in varying annual installments plus interest at rates ranging from 0.37% to 4.00% with final maturity scheduled for 2034. Principal due in 2023 is \$515,000.

During its June 30, 2022 fiscal year, the District issued \$2,910,000 of general obligation bonds (Series of 2022) to finance various capital improvements. These bonds are due in varying annual installments plus interest at rates ranging from 2.00% to 3.00% with final maturity scheduled for 2042. Principal due in 2022 is \$5,000.

The following summarizes the changes in bonds and notes payable in 2022:

	<u>BALANCE</u> <u>JULY 1, 2021</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>JUNE 30, 2022</u>
Bond Series of 2012	\$ 70,000		\$ (70,000)	\$ -
Bond Series of 2020	7,960,000		(490,000)	7,470,000
Bond Series of 2022	<u>-</u>	<u>\$ 2,910,000</u>	<u>-</u>	<u>2,910,000</u>
Sub-total	8,030,000	2,910,000	(560,000)	10,380,000
Bond premiums	<u>241,997</u>	<u>87,840</u>	<u>(18,435)</u>	<u>311,402</u>
Total	<u>\$ 8,271,997</u>	<u>\$ 2,997,840</u>	<u>\$ (578,435)</u>	<u>\$ 10,691,402</u>

Total interest paid on these bonds and notes in 2022 was \$155,788. No interest was capitalized in 2022. No interest is reported as a direct expense in the statement of activities.

The following summarizes the District's future debt service requirements as of June 30, 2022:

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 520,000	\$ 218,559	\$ 738,559
2024	525,000	225,575	750,575
2025	550,000	204,125	754,125
2026	565,000	188,875	753,875
2027	575,000	180,250	755,250
2028-2032	3,030,000	752,950	3,782,950
2033-2037	2,595,000	447,900	3,042,900
2038-2042	<u>2,020,000</u>	<u>155,250</u>	<u>2,175,250</u>
TOTAL	<u>\$ 10,380,000</u>	<u>\$ 2,373,484</u>	<u>\$12,753,484</u>

7. COMPENSATED ABSENCES

The changes in the District's compensated absences in 2022 are summarized as follows:

Balance, July 1, 2021	\$ 366,331
Increase	
Decrease	<u>(35,322)</u>
Balance, June 30, 2022	331,009
Less current portion	<u>33,100</u>
Long-term compensated absences	<u>\$ 297,909</u>

The District normally pays its compensated absences from the General Fund.

8. POSTEMPLOYMENT BENEFITS

DISTRICT OPEB PLAN

PLAN DESCRIPTION

The District provides postretirement healthcare benefits for employees who retire with at least 30 years of credited service in the Pennsylvania School Employees' Retirement System and must be retiring under a normal or early PSERS retirement. Employees may also be eligible after completing 10 years of service with the District. The benefits are provided by the District for a maximum of ten years or until the individual reaches age sixty-five. The cost of such medical coverage for retirees and spouses is determined by the contract provisions at the time of retirement. The plan provides post-retirement medical, prescription drug, dental and vision benefits. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired teachers who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage. Eligible members of the support personnel bargaining unit may also participate in the plan at their own expense.

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The contribution requirements of plan members and the District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retirees do not contribute to the plan. The plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing benefits to plan member, or are legally protected from creditors.

A total of 106 participants are covered by the benefit terms, including 99 active participants and 7 inactive (retired) participants currently receiving benefits. There are no participants entitled to but not receiving benefits under the plan.

FINANCIAL INFORMATION

The following is the District's other postemployment benefit (OPEB) liability, deferred outflows and inflows of resources related to OPEB and the OPEB expense for the fiscal year ended June 30, 2022:

Total OPEB liability	\$ 748,183
Plan fiduciary net position	<u> </u>
Net OPEB liability	<u>\$ 748,183</u>
Deferred outflows of resources:	
Differences between expected and actual experience	\$ 53,228
Changes of assumptions	61,091
Benefit payments subsequent to the measurement date	<u>101,886</u>
Total deferred outflows of resources	<u>\$216,205</u>
Deferred inflows of resources,	
Differences between expected and actual experience	\$ 69,461
Changes of assumptions	<u>35,449</u>
Total deferred inflows of resources	<u>\$ 104,910</u>
Covered-employee payroll	\$6,004,774
Plan fiduciary net position as a % of total OPEB liability	0.0%
Total OPEB liability as a % of covered-employee payroll	12.46%

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Service cost	\$ 40,542
Interest on total OPEB liability	14,787
Changes of benefit terms	-
Amortization of deferred outflows of resources	11,080
Amortization of deferred inflows of resources	<u>(8,984)</u>
 OPEB expense	 <u>\$ 57,425</u>

The District will recognize the \$101,886 reported as deferred outflows of resources resulting from plan contributions after the measurement date as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2023	\$ 2,096
2024	2,096
2025	2,096
2026	2,096
2027	2,096
Thereafter	<u>(1,071)</u>
 TOTAL	 <u>\$ 9,409</u>

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The actuarial valuation on which the total OPEB liability is based is dated July 1, 2020. The total OPEB liability was measured using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method was entry age normal, level basis of pay.
- Healthcare cost trend rate of 5.5% in 2020 through 2023, with rates gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Salary increases are composed of a 2.5% cost of living adjustment, 1.0% real wage growth, and for teachers and administrators, a merit increase which varies by age from 0.0% to 2.75%.
- 50% of employees are assumed to elect coverage. 20% 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. Wives are assumed to be two years younger than husbands.

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

- Assumed retirement rates are based on PSERS plan experience and vary by age, gender and years of service. Withdrawal rates also vary by age, gender and years of service.
- 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 and vision costs are assumed to not vary with age or gender.
- Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation (See Note 9). Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- The discount rate increased from 1.86% to 2.28%, based on the S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.
- Participant data is based on census information as of April 2021.

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$669,661</u>	<u>\$748,183</u>	<u>\$842,206</u>

The following table presents the District's total OPEB liability calculated using the discount rate of 2.28%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.28%) or one percentage point higher (3.28%) than the current rate:

	<u>1% Decrease 1.28%</u>	<u>Current Discount Rate 2.28%</u>	<u>1% Increase 3.28%</u>
Total OPEB liability	<u>\$793,430</u>	<u>\$748,183</u>	<u>\$7056,146</u>

TOTAL OPEB LIABILITY

The District's total OPEB liability of \$748,183 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020. The following table presents the changes in the District's total OPEB liability for the fiscal year ending June 30, 2022:

Balance, July 1, 2020	<u>\$ 805,051</u>
Service cost	40,542
Interest on total OPEB liability	14,787
Changes of assumptions	(18,752)
Benefit payments	<u>(93,445)</u>
Net changes	<u>(56,868)</u>
Balance, June 30, 2021	<u>\$ 748,183</u>

PSERS PLAN

PLAN DESCRIPTION

PSERS provides premium assistance through a governmental cost sharing, multiple-employer OPEB plan 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 (HOP). As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

PREMIUM ASSISTANCE ELIGIBILITY CRITERIA

Retirees of PSERS can participate in the premium assistance program if they satisfy the following criteria:

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

DISTRICT CONTRIBUTIONS

The District's contractually required contribution rate for the year ended June 30, 2021 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 PSERS plan from the District were approximately \$55,000 for the year ended June 30, 2022.

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2022, the District reported a liability of \$1,105,000 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 PSERS' 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 District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0466%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$63,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 2,000	
Changes in proportion	18,000	\$ 33,000
Changes of assumptions	118,000	15,000
Difference between expected and actual experience	10,000	
Contributions after the measurement date	<u>55,000</u>	<u> </u>
	<u>\$ 203,000</u>	<u>\$ 48,000</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The District will recognize the \$55,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2023	\$ 14,000
2024	14,000
2025	24,000
2026	15,000
2027	18,000
Thereafter	<u>15,000</u>
TOTAL	<u>\$ 100,000</u>

ACTUARIAL ASSUMPTIONS

The PSERS total OPEB liability as of June 30, 2021, was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return – 2.18 percent - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50 percent
 - Eligible retirees will elect to participate post age 65 at 70 percent

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 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 percent of eligible retirees are assumed to elect premium assistance
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

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

The Plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8 %	0.1 %
US Core Fixed income	17.5 %	0.7 %
Non-US Developed Fixed	<u>2.7 %</u>	(0.3)%
	<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 PSERS Plan's total OPEB liability was 2.18 percent. Under the plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18 percent which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

SENSITIVITY TO CHANGE IN HEALTHCARE COST TREND RATES

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

	<u>1% Decrease</u>	Current Healthcare Cost <u>Trend Rates</u>	<u>1% Increase</u>
PSERS Net OPEB liability	<u>\$1,105,000</u>	<u>\$1,105,000</u>	<u>\$1,105,000</u>

SENSITIVITY TO CHANGES IN DISCOUNT RATE

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

	1% Decrease <u>1.18%</u>	Current Discount Rate <u>2.18%</u>	1% Increase <u>3.18%</u>
PSERS Net OPEB liability	<u>\$1,268,000</u>	<u>\$1,105,000</u>	<u>\$970,000</u>

OPEB PLAN FIDUCIARY NET POSITION

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

9. PENSION BENEFITS

PLAN DESCRIPTION

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

BENEFITS PROVIDED

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Class T-E and 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 on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. Members who joined prior to July 1, 2011 vest after completion of 5 years of service and may elect early retirement benefits. Class T-E and Class T-F members vest after completion of 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon death of an active member who has reached age 62 with at least 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or at least 5 years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

MEMBER CONTRIBUTIONS

Active members who joined PSERS prior to July 22, 1983 contribute 5.25% (Class T-C members) or at 6.50% (Class T-D members) of the member's qualifying compensation. Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Class T-C) or at 7.50% (Class T-D) of the member's qualifying compensation. Members who joined PSERS after June 30, 2001 and before July 1, 2011 contribute at 7.50% (Automatic Class T-D). For all new hires and members who elected Class T-D membership, the higher contribution rate began with services rendered on or after January 1, 2002. Members who joined PSERS after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.30% (base rate) of the member's qualifying compensation. 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 contribution rate to fluctuate between 7.50% and 9.50% for Class T-E and 10.30% and 12.30% for Class T-F.

DISTRICT CONTRIBUTIONS

The District's contractually required contribution rate for PSERS for the 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 PSERS from the District were approximately \$2,356,000 for the year ended June 30, 2022.

ACTUARIAL ASSUMPTIONS

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

- Actuarial cost method is entry age normal, level percent of pay.
- Investment return of 7.00% including inflation at 2.50%.
- Salary increases based on an effective average of 4.50%, which reflects an allowance for inflation of 2.50% and 2.0% for real wage growth and merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

The 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.

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

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Following is the PSERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021:

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

DISCOUNT RATE

The discount rate used to measure the total PSERS 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, PSERS' 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 PSERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the District's proportionate share of the PSERS 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Proportionate share of the net pension liability	<u>\$25,058,000</u>	<u>\$19,091,000</u>	<u>\$14,058,000</u>

FIDUCIARY NET POSITION

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

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2022, the District reported a liability of \$19,091,000 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 total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability as calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion of .0465%, which was a decrease of .0002% from its proportion calculated as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$1,128,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings		\$ 3,039,000
Changes in proportions	\$ 24,000	320,000
Changes in assumptions	926,000	
Difference between expected and actual experience	14,000	251,000
Difference between employer contributions and proportionate share of total contributions	11,000	4,000
Contributions after the measurement date	<u>2,356,000</u>	<u> </u>
	<u>\$ 3,331,000</u>	<u>\$ 3,614,000</u>

FOREST CITY REGIONAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The District will recognize the \$2,356,000 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PSERS net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDING JUNE 30</u>	<u>Amortization</u>
2023	\$ (880,000)
2024	(384,000)
2025	(394,000)
2026	<u>(981,000)</u>
TOTAL	<u>\$ (2,639,000)</u>

10. INTERNAL BALANCES/INTERFUND TRANSFERS

The following summarizes the interfund transfers in 2022:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund:		
Capital Projects Fund	\$ 42,619	
Debt Service Fund		\$ 644,956
Capital Projects Fund:		
General Fund		42,619
Debt Service Fund	2,904,919	
Debt Service Fund:		
General Fund	644,956	
Capital Projects Fund		<u>2,904,919</u>
Total	<u>\$ 3,592,494</u>	<u>\$ 3,592,494</u>

The General Fund transferred funds to the Debt Service Fund to pay long-term debt as it came due. The general Fund transferred funds to the capital projects Fund to pay for capital expenditures. The Debt Service Fund transferred the proceeds of the current year bond issuance to the capital Projects Fund.

At June 30, 2022, the Food Service Fund owed the General Fund \$78,615 for operating expenses paid by the General Fund on behalf of the Food Service Fund net of subsidies received but not transferred. The Custodial Fund owed the General Fund \$827 for operating expenses paid by the General Fund on behalf of the Custodial Fund.

11. CONTINGENCIES

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

The District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

12. NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the GASB issued its Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payments Arrangements*. This statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. GASB Statement No. 94 will be effective for the District's fiscal year ending June 30, 2023.

In May 2020, the GASB issued its Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs) for government end users by (1) defining a SBITA; (2) establishing that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) providing capitalization criteria for outlays other than subscription payments; and (4) requiring certain note disclosures regarding a SBITA. GASB Statement No. 91 will be effective for the District's fiscal year ending June 30, 2023.

The District has not yet determined the effects of the adoption of the aforementioned GASB Statements on its financial statements.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - PSERS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PSERS NET PENSION LIABILITY
YEARS ENDED JUNE 30
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the PSERS net pension liability	0.0465%	0.0467%	0.0466%	0.0487%	0.0469%	0.0479%	0.0480%	0.4620%
District's proportionate share of the PSERS net pension liability (in thousands)	<u>\$ 19,091</u>	<u>\$ 22,995</u>	<u>\$ 21,801</u>	<u>\$ 23,378</u>	<u>\$ 23,163</u>	<u>\$ 23,738</u>	<u>\$ 20,791</u>	<u>\$ 18,286</u>
District's covered employee payroll (in thousands)	<u>\$ 6,608</u>	<u>\$ 6,552</u>	<u>\$ 6,427</u>	<u>\$ 6,562</u>	<u>\$ 6,240</u>	<u>\$ 6,197</u>	<u>\$ 6,181</u>	<u>\$ 5,890</u>
District's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	288.91%	350.96%	339.21%	356.26%	371.20%	383.06%	336.37%	310.46%
PSERS fiduciary net position as a percentage of the PSERS total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27* in 2015. Information for years prior to 2015 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - PSERS
SCHEDULE OF THE DISTRICT'S PSERS PENSION CONTRIBUTIONS
YEARS ENDED JUNE 30
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015
PSERS contractually required contribution (in thousands)	\$2,356	\$2,203	\$2,192	\$2,103	\$2,091	\$1,836	\$1,584	\$1,202
Contributions in relation to the contractually required contribution (in thousands)	<u>(2,356)</u>	<u>(2,203)</u>	<u>(2,192)</u>	<u>(2,103)</u>	<u>(2,091)</u>	<u>(1,836)</u>	<u>(1,584)</u>	<u>(1,202)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (in thousands)	<u>\$6,608</u>	<u>\$6,552</u>	<u>\$6,427</u>	<u>\$6,562</u>	<u>\$6,240</u>	<u>\$6,197</u>	<u>\$6,181</u>	<u>\$5,890</u>
Contributions as a percentage of covered-employee payroll	35.65%	33.62%	34.11%	32.05%	33.51%	29.63%	25.63%	20.41%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27* in 2015. Information for years prior to 2015 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY - DISTRICT PLAN
YEARS ENDED JUNE 30
(UNAUDITED)

	2022	2021	2020	2019	2018
Changes in the total OPEB liability:					
Service cost	\$ 40,542	\$ 30,088	\$ 30,311	\$ 26,559	\$ 25,899
Interest	14,787	28,488	28,980	32,006	29,397
Changes of benefit terms	-	13,442	-	-	-
Differences between expected and actual experience	-	(81,039)	-	76,884	-
Changes of assumptions	(18,752)	68,133	(17,314)	3,888	(7,338)
Benefit payments	(93,445)	(156,712)	(177,827)	(211,310)	(201,167)
Other changes	-	-	-	-	-
Net change in pension liability	(56,868)	(97,600)	(135,850)	(71,973)	(153,209)
Total OPEB liability, beginning	<u>805,051</u>	<u>902,651</u>	<u>1,038,501</u>	<u>1,110,474</u>	<u>1,263,683</u>
Total OPEB liability, ending	<u>\$ 748,183</u>	<u>\$ 805,051</u>	<u>\$ 902,651</u>	<u>\$ 1,038,501</u>	<u>\$ 1,110,474</u>
Covered-employee payroll	\$6,004,774	\$6,004,774	\$5,410,235	\$5,410,236	\$5,529,594
Total OPEB liability as a percentage of covered-employee payroll	12.46%	13.41%	16.68%	19.20%	20.08%

Notes to schedule:

The District's OPEB plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE PSERS NET OPEB LIABILITY
YEARS ENDED JUNE 30
(UNAUDITED)

	2022	2021	2020	2019	2018
District's proportion of the PSERS net OPEB liability	0.0465%	0.0467%	0.0466%	0.0487%	0.0469%
District's proportionate share of the PSERS net OPEB liability (in thousands)	<u>\$ 1,105</u>	<u>\$ 1,009</u>	<u>\$ 991</u>	<u>\$ 1,015</u>	<u>\$ 956</u>
District's covered-employee payroll (in thousands)	<u>\$ 6,608</u>	<u>\$ 6,552</u>	<u>\$ 6,427</u>	<u>\$ 6,562</u>	<u>\$ 6,240</u>
District's proportionate share of the PSERS net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.40%	15.42%	15.47%	15.32%
Plan fiduciary net position as a percentage of the PSERS net OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.

FOREST CITY REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
SCHEDULE OF THE DISTRICT'S PSERS OPEB CONTRIBUTIONS
YEARS ENDED JUNE 30
(UNAUDITED)

	2022	2021	2020	2019	2018
PSERS contractually required contribution (in thousands)	\$ 55	\$ 54	\$ 55	\$ 54	\$ 52
Contributions in relation to the contractually required contribution (in thousands)	<u>(55)</u>	<u>(54)</u>	<u>(55)</u>	<u>(54)</u>	<u>(52)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (in thousands)	<u>\$ 6,608</u>	<u>\$ 6,552</u>	<u>\$ 6,427</u>	<u>\$ 6,562</u>	<u>\$ 6,240</u>
Contributions as a percentage of covered-employee payroll	0.83%	0.82%	0.86%	0.82%	0.83%

Note to schedule:

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in 2018. Information for years prior to 2018 is not available for reporting.