

CANTON AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
JUNE 30, 2023

**CANTON AREA SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Canton Area School District
Canton, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of changes in the District's total OPEB liability and related ratios, schedule of District's proportionate share of the total OPEB Liability - PSERS, schedule of District's PSERS OPEB contributions, schedule of District's proportionate share of the net pension liability - PSERS, schedule of employer's contributions for PSERS, and notes to the required supplementary information on pages 3 - 12 and 46 - 52, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on pages 53 - 54 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Introduction

Our discussion and analysis of the Canton Area School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- As of June 30, 2023, the District's net position on the government-wide statements amounted to a deficit of \$3,624,736 for governmental activities. The unrestricted net position was a deficit of \$12,930,562, the net investment in capital assets was \$9,281,414 and the restricted net position was \$24,412 as of June 30, 2023. The deficit in net position is caused by the net pension liability required to be recorded by Government Accounting Standards Board (GASB) No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75.
- As of June 30, 2023, the District's net position on the government-wide statements amounted to \$132,744 for business-type activities. The unrestricted net position was \$85,857, the net investment in capital assets was \$46,887 and there were no amounts classified as restricted net position as of June 30, 2023.
- The "current ratio", which is an indicator of liquidity, for governmental activities was 3.50 and 2.24 as of June 30, 2023 and 2022, respectively.
- The "current ratio", which is an indicator of liquidity, for business-type activities was 3.10 and 2.44 as of June 30, 2023 and 2022, respectively.
- The District's overall net position for governmental activities increased by \$3,052,904 or 45.72% in 2022-2023 compared with an increase of \$3,142,491 or 32.00% in 2021-2022.
- The District's overall net position for business-type activities increased by \$155,670 or 679.01% in 2022-2023 compared with an increase of \$195,379 or 88.94% in 2021-2022.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. These statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. The statements also include required and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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.

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. 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. Net position is classified into three components as follows:

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, excluding unspent bond proceeds, bond premiums and discounts, and deferred refunding proceeds.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that is not invested in capital assets or restricted net position.

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 for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property 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 of the District are categorized as instructional, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, community service, debt interest and unallocated depreciation. The business-type activities of the District include operation of the school lunch fund.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

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 assessing a District's near-term financing requirements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance for the general fund, student sponsored activities fund and debt service fund, which are considered to be the District's only major funds as defined by GASB No. 34.

The District legally adopts an annual budget for its general fund. A budgetary comparison statement has been provided in the required supplementary information section of this report to demonstrate compliance with this budget.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

Proprietary Fund

The District maintains one proprietary fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the proprietary fund to account for the school lunch fund activities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This includes a budgetary comparison schedule for the general fund, schedule of changes in the District's total OPEB liability and related ratios, schedule of district's proportionate share of the net OPEB Liability - PSERS, schedule of District's PSERS OPEB contributions, a schedule of District's proportionate share of the net pension liability - PSERS, and the schedule of employer's contributions for PSERS. Also included in this section are the notes to required supplementary information.

Single Audit Reports

The schedule of expenditures of federal awards presents the activity of federal award programs administered by the District. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Also included in the single audit reports are the notes to the schedule of expenditures of federal awards, as well as information on the results from the single audit performed by the District's independent auditors'.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole. The condensed statements of net position and statements of activities located in table 1 and table 2, respectively, present summarized financial data from the government-wide financial statements located in the basic financial statements section of this report. This information is presented in comparative form, with totals from the financial statements for the fiscal years ended June 30, 2023 and 2022, along with totals for the primary government as a whole.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

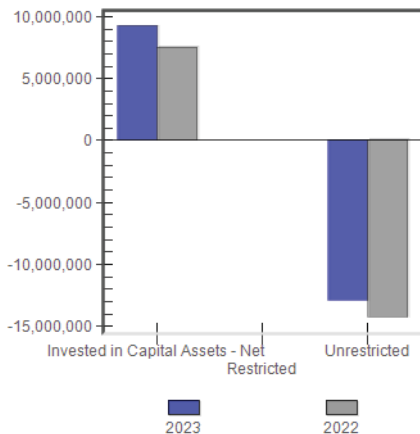
Table 1

Condensed Statements of Net Position
June 30, 2023 and 2022

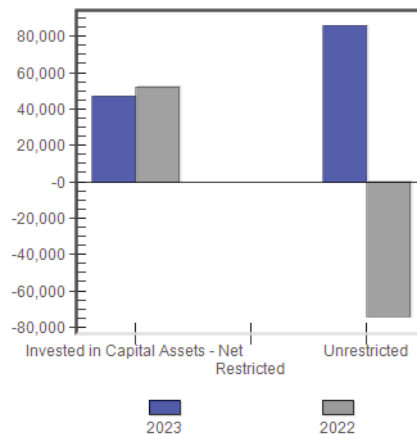
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Assets and Deferred Outflows of Resources							
Current assets	\$ 9,411,205	\$ 8,289,315	\$ 761,683	\$ 653,606	\$ 10,172,888	\$ 8,942,921	13.8 %
Other assets	-	1,596,597	-	-	-	1,596,597	(100.0)%
Capital assets	11,731,719	10,794,559	46,887	51,613	11,778,606	10,846,172	8.6 %
Deferred outflows of resources	3,951,996	4,532,441	81,477	95,333	4,033,473	4,627,774	(12.8)%
Total assets and deferred outflows of resources	\$ 25,094,920	\$ 25,212,912	\$ 890,047	\$ 800,552	\$ 25,984,967	\$ 26,013,464	(0.1)%
Liabilities and Deferred Inflows of Resources							
Current liabilities	\$ 2,691,074	\$ 3,702,707	\$ 246,011	\$ 268,290	\$ 2,937,085	\$ 3,970,997	(26.0)%
Long-term liabilities	24,848,351	24,500,858	479,424	464,447	25,327,775	24,965,305	1.5 %
Deferred inflows of resources	1,180,231	3,686,987	31,868	90,741	1,212,099	3,777,728	(67.9)%
Total liabilities and deferred inflows of resources	28,719,656	31,890,552	757,303	823,478	29,476,959	32,714,030	(9.9)%
Net Position							
Net investment in capital assets	9,281,414	7,550,429	46,887	51,613	9,328,301	7,602,042	22.7 %
Restricted	24,412	33,701	-	-	24,412	33,701	(27.6)%
Unrestricted	(12,930,562)	(14,261,770)	85,857	(74,539)	(12,844,705)	(14,336,309)	(10.4)%
Total net position	\$ (3,624,736)	\$ (6,677,640)	\$ 132,744	\$ (22,926)	\$ (3,491,992)	\$ (6,700,566)	(47.9)%

The largest portion of the District's net position reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. This amounted to \$9,328,301 and \$7,602,042 for the District at the fiscal years ended June 30, 2023 and 2022, respectively. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District has a portion of its net position restricted for scholarships for students at the District. This amounted to \$24,412 and \$33,701 for the District at the fiscal years ended June 30, 2023 and 2022, respectively. The remaining balance of net position is an unrestricted deficit caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75. At June 30, 2023 and 2022, the District had a deficit unrestricted net position of \$12,844,705 and \$14,336,309, respectively.

Net Position Components - Governmental



Net Position Components - Business-Type



CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

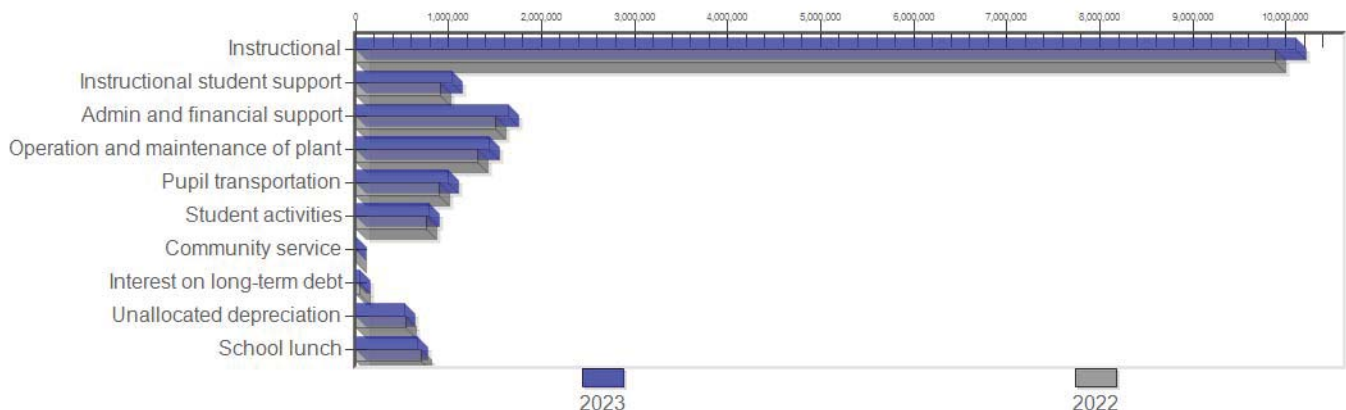
Table 2

Condensed Statements of Activities
For the Years Ended June 30, 2023 and 2022

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Revenues							
Program Revenues							
Charges for services	\$ 51,182	\$ 50,271	\$ 66,507	\$ 58,691	\$ 117,689	\$ 108,962	8.0 %
Operating grants and contributions	6,509,908	6,579,517	731,323	840,717	7,241,231	7,420,234	(2.4)%
Capital grants and contributions	432,276	290,403	-	-	432,276	290,403	48.9 %
Total program revenues	<u>6,993,366</u>	<u>6,920,191</u>	<u>797,830</u>	<u>899,408</u>	<u>7,791,196</u>	<u>7,819,599</u>	(0.4)%
General Revenues							
Property taxes and related items	4,214,327	4,148,890	-	-	4,214,327	4,148,890	1.6 %
Grants, subsidies, and contributions	8,054,727	7,690,917	-	-	8,054,727	7,690,917	4.7 %
Investment earnings	217,668	42,582	18,684	-	236,352	42,582	455.1 %
Miscellaneous	168,459	226,171	-	-	168,459	226,171	(25.5)%
Total general revenues	<u>12,655,181</u>	<u>12,108,560</u>	<u>18,684</u>	<u>-</u>	<u>12,673,865</u>	<u>12,108,560</u>	4.7 %
Total revenues	<u>19,648,547</u>	<u>19,028,751</u>	<u>816,514</u>	<u>899,408</u>	<u>20,465,061</u>	<u>19,928,159</u>	2.7 %
Program Expenses							
Instructional	10,101,458	9,889,175	-	-	10,101,458	9,889,175	2.1 %
Instructional student support	1,040,494	918,484	-	-	1,040,494	918,484	13.3 %
Administrative and financial support	1,644,293	1,507,168	-	-	1,644,293	1,507,168	9.1 %
Operation and maintenance of plant	1,444,091	1,315,247	-	-	1,444,091	1,315,247	9.8 %
Pupil transportation	997,931	902,544	-	-	997,931	902,544	10.6 %
Student activities	794,547	758,780	-	-	794,547	758,780	4.7 %
Community service	60	60	-	-	60	60	0.0 %
Interest on long-term debt	42,237	53,953	-	-	42,237	53,953	(21.7)%
Unallocated depreciation	530,532	540,849	-	-	530,532	540,849	(1.9)%
School lunch	-	-	660,844	704,029	660,844	704,029	(6.1)%
Total expenses	<u>16,595,643</u>	<u>15,886,260</u>	<u>660,844</u>	<u>704,029</u>	<u>17,256,487</u>	<u>16,590,289</u>	4.0 %
Changes in net position	\$ <u>3,052,904</u>	\$ <u>3,142,491</u>	\$ <u>155,670</u>	\$ <u>195,379</u>	\$ <u>3,208,574</u>	\$ <u>3,337,870</u>	(3.9)%

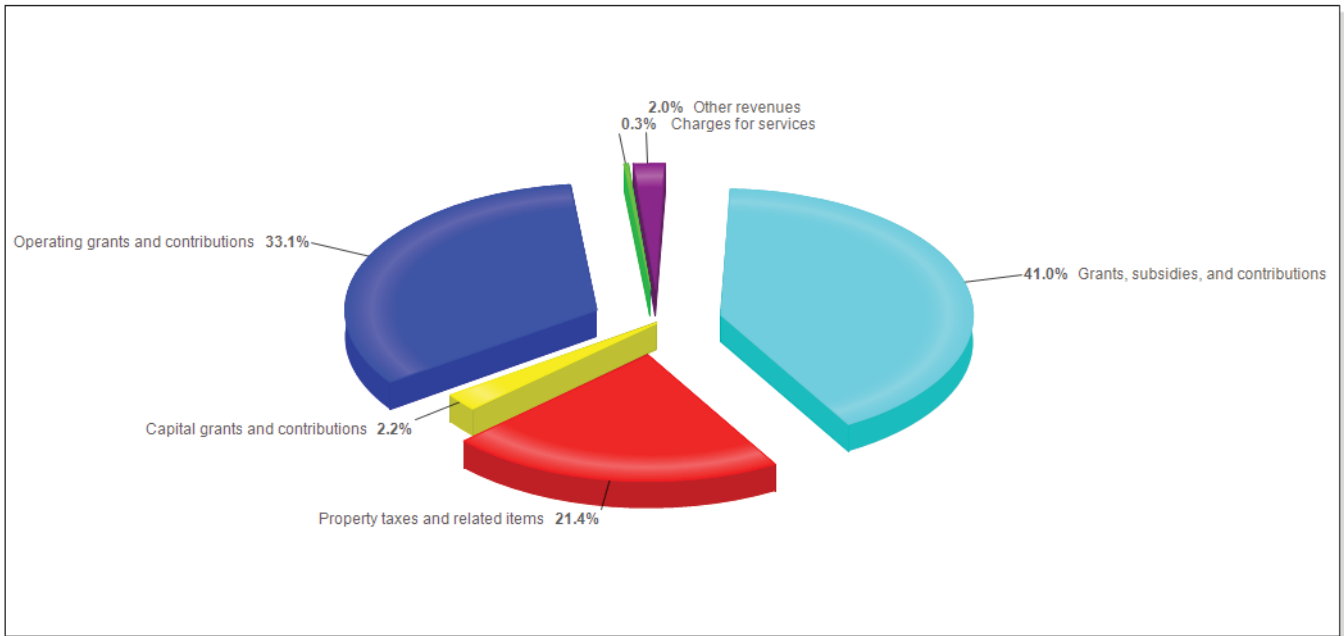
The District's governmental activities experienced an increase in net position of \$3,052,904 for the fiscal year ended June 30, 2023. This represents an increase of approximately 45.72% from the previous fiscal year. Governmental activities revenues experienced an increase from state reimbursement subsidies for retirement and basic education funding as well as an increase in federal sources primarily related to funds awarded as part of the American Rescue Plan Act. Expenditures were consistent with the previous year. The District's business-type activities experienced an increase in net position of \$155,670 for the fiscal year ended June 30, 2023. This represents an increase of approximately 679.01% from the previous fiscal year. Revenues increased for the business-type activities primarily due to higher meal reimbursement rates due to the District's participation in the seamless summer option program as well as more in person learning increasing the number of meals reimbursed through the program.

Comparative Expenses by Function

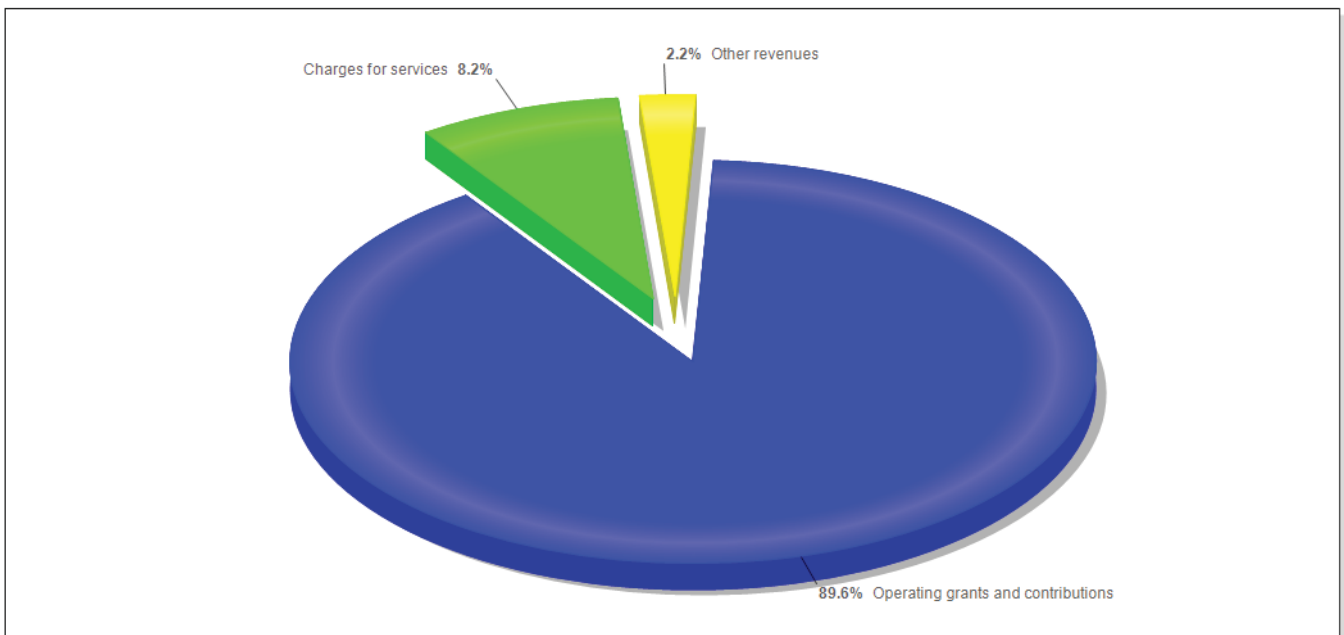


**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023**

**Sources of Revenues for Governmental Activities
Fiscal Year 2023**



**Sources of Revenues for Business-Type Activities
Fiscal Year 2023**



CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

The tables below present the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activity). Providing this information allows residents within the District to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<u>Total Cost of Services</u>		<u>Percentage</u>
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Instructional	\$ 10,101,458	\$ 9,889,175	2.1 %
Instructional student support	1,040,494	918,484	13.3 %
Administrative and financial support	1,644,293	1,507,168	9.1 %
Operation and maintenance of plant	1,444,091	1,315,247	9.8 %
Pupil transportation	997,931	902,544	10.6 %
Student activities	794,547	758,780	4.7 %
Community service	60	60	- %
Interest on long-term debt	42,237	53,953	(21.7)%
Unallocated depreciation	530,532	540,849	(1.9)%
School lunch	660,844	704,029	(6.1)%
Total expenses	<u>\$ 17,256,487</u>	<u>\$ 16,590,289</u>	4.0 %

	<u>Net Cost (Profit) of Services</u>		<u>Percentage</u>
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Instructional	\$ 4,465,061	\$ 4,138,401	7.9 %
Instructional student support	862,856	754,290	14.4 %
Administrative and financial support	1,376,798	1,250,049	10.1 %
Operation and maintenance of plant	1,279,849	1,165,692	9.8 %
Pupil transportation	997,931	902,544	10.6 %
Student activities	479,229	450,634	6.3 %
Community service	60	60	- %
Interest on long-term debt	(390,039)	(236,450)	65.0 %
Unallocated depreciation	530,532	540,849	(1.9)%
School lunch	(136,986)	(195,379)	(29.9)%
Total net cost	<u>\$ 9,465,291</u>	<u>\$ 8,770,690</u>	7.9 %

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Capital Assets

At June 30, 2023, the District had \$28,624,606 invested in land, buildings and improvements, and furniture and equipment. Depreciation expense of \$535,258 has been recorded for the year ended June 30, 2023, with an ending accumulated depreciation balance of \$16,846,000. The net book value of capital assets at June 30, 2023, was \$11,778,606.

The table presented below displays the fiscal 2023 and 2022 balances for the major classes of assets:

Capital Assets (Net of Depreciation)			
At June 30, 2023 and 2022			
	<u>2023</u>	<u>2022</u>	<u>Total Percentage Change</u>
Land	\$ 1,265,599	\$ 1,265,599	- %
Construction in progress	-	883,333	(100.0)%
Site improvements	3,051,345	860,418	254.6 %
Buildings	7,307,290	7,714,145	(5.3)%
Vehicles	48,477	4,344	1,016.0 %
Equipment, furniture and fixtures	<u>105,895</u>	<u>118,333</u>	(10.5)%
Total	<u>\$ 11,778,606</u>	<u>\$ 10,846,172</u>	8.6 %

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Obligations

At June 30, 2023 and 2022, the District had total long-term obligations of \$26,151,601 and \$25,759,131, respectively. The District has maintained a credit rating of A from Standard and Poor's for the fiscal years ended June 30, 2023 and 2022. The table presented below displays the fiscal 2023 and 2022 balances for the long-term obligations:

Long-Term Obligations			
At June 30, 2023 and 2022			
	<u>2023</u>	<u>2022</u>	<u>Total Percentage Change</u>
Bonds payable - net of premiums	\$ 2,450,305	\$ 3,244,130	(24.5)%
Compensated absences	184,056	185,290	(0.7)%
Separately financed specific liabilities - OPEB	200	100	100.0 %
Total OPEB liability - local	455,940	574,211	(20.6)%
Net OPEB liability - proportionate share	915,000	1,183,000	(22.7)%
Separately financed specific liabilities - pension	6,100	3,400	79.4 %
Net pension liability - proportionate share	<u>22,140,000</u>	<u>20,569,000</u>	7.6 %
Total	<u>\$26,151,601</u>	<u>\$ 25,759,131</u>	1.5 %

Additional information on the District's long-term obligations can be found in the notes to the financial statements.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Governmental Fund Analysis

Governmental fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$20,491,126 and \$19,926,333, and expenditures and other financing uses of \$19,921,559 and \$19,106,574 in 2023 and 2022, respectively. Overall fund balance for all governmental funds increased by \$569,567 in 2023, which represents a change of approximately 8.42%. The components of the change are as follows:

- The fund balance in the general fund increased by \$557,527, which represents a change of approximately 8.46%.
- Total revenues and other financing sources in the general fund increased by \$624,021 and total expenditures and other financing uses increased by \$882,890.
- There was no change to the fund balance in the debt service fund.
- The fund balance in the student sponsored activities fund increased by \$12,040, which represents a change of approximately 6.94%.

General Fund Budgetary Highlights

A budgetary comparison schedule for the District's general fund is presented as required supplementary information of these financial statements. The District's budgetary policies are described in the notes to required supplementary information.

Significant Variances Between Original and Amended Budget

Significant variances between the original and amended budget are described in the following paragraph. The table immediately following the District's analysis of the variances between the original and amended budget displays the variances as illustrated in the budgetary comparison schedule.

The District's budget for special programs was significantly altered due to the receipt of a school safety and mental health grant of approximately \$225,000. The district use these funds to contract for an armed security guard and a mental health counselor. The District's operation and maintenance was increased to accommodate additional materials purchased with federal ESSER funds.

	Original to Amended At June 30, 2023			
	<u>Original</u>		<u>Amended</u>	<u>Variance</u>
Expenditures and Other Uses				
Special programs	\$ 2,288,538	\$	2,501,827	\$ 213,289
Operation and maintenance of plant services	\$ 1,381,163	\$	1,544,965	\$ 163,802
Budgetary reserve	\$ 502,200	\$	-	\$ (502,200)

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Significant Variances Between Amended Budget and Actual Results

Significant variances between the amended budget and actual results are described in the following paragraph. The table immediately following the District's analysis of the variances between the amended budget and actual results displays the variances as illustrated in the budgetary comparison schedule.

The District collected higher than anticipated earned income taxes, as well as reallocated cash and cash equivalents to take advantage of higher interest rates which caused actual local sources to be \$731,942 higher than the amended budget. State sources were \$1,187,283 higher than budget due to the fact that the District did not anticipate an increase in state funding and based the budget on prior year actual's to be conservative since the state did not pass a budget until after June 30, 2022. The District received federal ESSER funds after designated expenses are made and claimed. Some budgeted expenses were not made resulting in the appearance of a shortfall of federal revenue.

Regular program expenditures were lower than budgeted due to ESSER funding being less than was anticipated during budgeting. Existing site improvement services expenditures were lower than budget based on the fact that the District budgeted for a roof replacement projects in both fiscal year due to the uncertainty of when the actual work was available. More of the work was able to be completed in the prior year than what was expected, leaving less expense than expected. The District budgets their debt service payments in the general fund and not in interfund transfers causing variances for those expenditures compared to budget.

	Amended to Actual			
	At June 30, 2023			
	<u>Amended</u>		<u>Actual</u>	<u>Variance</u>
Revenues and Other Sources				
Local sources	\$ 4,171,925	\$	4,903,867	\$ 731,942
State sources	\$ 11,295,945	\$	12,483,228	\$ 1,187,283
Federal sources	\$ 2,965,500	\$	2,015,077	\$ (950,423)
Expenditures and Other Uses				
Regular programs	\$ 7,906,769	\$	7,735,944	\$ 170,825
Existing site improvement services	\$ 2,455,931	\$	1,399,706	\$ 1,056,225
Debt service	\$ 906,000	\$	-	\$ 906,000
Interfund transfers out	\$ -	\$	838,000	\$ (838,000)

Economic Factors and Next Year's Budget

The general fund budget for the 2023-2024 school year was approved by the voters in the amount of \$18,614,238. This is a decrease of 7.6% over the previous year's budget. The 2023-2024 budget is impacted by certain trends impacting school districts. The COVID-19 pandemic has caused unexpected costs and high inflation which affected the prior year but aren't expected to continue into 2023-2024 school year.

Contacting the District's Financial Management

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

Canton Area School District
Attn: Mr. Mark Jannone, Business Manager
509 East Main Street
Canton, Pennsylvania 17724

BASIC FINANCIAL STATEMENTS

CANTON AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 7,805,422	\$ 751,047	\$ 8,556,469
Taxes receivable	342,170	-	342,170
Due from other governments	1,223,310	3,607	1,226,917
Other receivables	40,303	1,799	42,102
Inventories	-	5,230	5,230
Total current assets	<u>9,411,205</u>	<u>761,683</u>	<u>10,172,888</u>
Other Assets			
Capital assets - net	<u>11,731,719</u>	<u>46,887</u>	<u>11,778,606</u>
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	3,631,524	74,869	3,706,393
Deferred outflows of resources - OPEB - local	113,185	2,334	115,519
Deferred outflows of resources - OPEB - PSERS	<u>207,287</u>	<u>4,274</u>	<u>211,561</u>
Total deferred outflows of resources	<u>3,951,996</u>	<u>81,477</u>	<u>4,033,473</u>
Current Liabilities			
Internal balances	(236,125)	236,125	-
Accounts payable	118,373	9,886	128,259
Payroll accruals and withholdings	1,979,062	-	1,979,062
Accrued interest	5,938	-	5,938
Bonds payable - current portion - net of premiums	<u>823,826</u>	<u>-</u>	<u>823,826</u>
Total current liabilities	<u>2,691,074</u>	<u>246,011</u>	<u>2,937,085</u>
Long-Term Liabilities			
Compensated absences	179,680	4,376	184,056
Bonds payable - net of current portion and premiums	1,626,479	-	1,626,479
Separately financed liability - OPEB - PSERS	196	4	200
Total OPEB liability - local	446,730	9,210	455,940
Total OPEB Liability - PSERS	896,517	18,483	915,000
Separately financed specific liabilities - pension	5,977	123	6,100
Net pension liability	<u>21,692,772</u>	<u>447,228</u>	<u>22,140,000</u>
Total long-term liabilities	<u>24,848,351</u>	<u>479,424</u>	<u>25,327,775</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	668,224	13,776	682,000
Deferred inflows of resources - OPEB - local	282,734	5,829	288,563
Deferred inflows of resources - OPEB - PSERS	229,273	4,727	234,000
Advances on future period revenue	-	7,536	7,536
Total deferred inflows of resources	<u>1,180,231</u>	<u>31,868</u>	<u>1,212,099</u>
Net Position			
Net investment in capital assets	9,281,414	46,887	9,328,301
Restricted			
Restricted for scholarships	24,412	-	24,412
Unrestricted	<u>(12,930,562)</u>	<u>85,857</u>	<u>(12,844,705)</u>
Total net position	<u>\$ (3,624,736)</u>	<u>\$ 132,744</u>	<u>\$ (3,491,992)</u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental activities							
Instructional	\$ 10,101,458	\$ 40,303	\$ 5,596,094	\$ -	\$ (4,465,061)	\$ -	\$ (4,465,061)
Instructional student support	1,040,494	-	177,638	-	(862,856)	-	(862,856)
Administrative and financial support	1,644,293	-	267,495	-	(1,376,798)	-	(1,376,798)
Operation and maintenance of plant	1,444,091	10,879	153,363	-	(1,279,849)	-	(1,279,849)
Pupil transportation	997,931	-	-	-	(997,931)	-	(997,931)
Student activities	794,547	-	315,318	-	(479,229)	-	(479,229)
Community service	60	-	-	-	(60)	-	(60)
Interest on long-term debt	42,237	-	-	432,276	390,039	-	390,039
Unallocated depreciation	530,532	-	-	-	(530,532)	-	(530,532)
Total governmental activities	<u>16,595,643</u>	<u>51,182</u>	<u>6,509,908</u>	<u>432,276</u>	<u>(9,602,277)</u>	<u>-</u>	<u>(9,602,277)</u>
Business-type activities							
School lunch fund	660,844	66,507	731,323	-	-	136,986	136,986
Total primary government	<u>\$ 17,256,487</u>	<u>\$ 117,689</u>	<u>\$ 7,241,231</u>	<u>\$ 432,276</u>	<u>(9,602,277)</u>	<u>136,986</u>	<u>(9,465,291)</u>
General Revenues							
Property taxes and other tax items					4,214,327	-	4,214,327
General purpose grants, subsidies and contributions					8,054,727	-	8,054,727
Earnings on investments					217,668	18,684	236,352
Miscellaneous income					168,459	-	168,459
Total general revenues					<u>12,655,181</u>	<u>18,684</u>	<u>12,673,865</u>
Changes in Net Position					3,052,904	155,670	3,208,574
Net Position - Beginning					<u>(6,677,640)</u>	<u>(22,926)</u>	<u>(6,700,566)</u>
Net Position - Ending					<u>\$ (3,624,736)</u>	<u>\$ 132,744</u>	<u>\$ (3,491,992)</u>

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

CANTON AREA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Student Sponsored Activities Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 7,620,010	\$ -	\$ 185,412	\$ 7,805,422
Taxes receivable	342,170	-	-	342,170
Due from other funds	236,125	-	-	236,125
Due from other governments	1,223,310	-	-	1,223,310
Other receivables	<u>40,303</u>	<u>-</u>	<u>-</u>	<u>40,303</u>
Total Assets	<u>\$ 9,461,918</u>	<u>\$ -</u>	<u>\$ 185,412</u>	<u>\$ 9,647,330</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 118,373	\$ -	\$ -	\$ 118,373
Payroll accruals and withholdings	<u>1,979,062</u>	<u>-</u>	<u>-</u>	<u>1,979,062</u>
Total liabilities	<u>2,097,435</u>	<u>-</u>	<u>-</u>	<u>2,097,435</u>
Deferred Inflows of Resources				
Advances on future period revenues	<u>219,240</u>	<u>-</u>	<u>-</u>	<u>219,240</u>
Fund Balances				
Restricted				
Reserve for scholarships	24,412	-	-	24,412
Assigned				
Reserve for subsequent year	606,900	-	-	606,900
Reserve for PSERS/health insurance	4,928,467	-	-	4,928,467
Reserve for student sponsored activities	-	-	185,412	185,412
Unassigned	<u>1,585,464</u>	<u>-</u>	<u>-</u>	<u>1,585,464</u>
Total fund balances	<u>7,145,243</u>	<u>-</u>	<u>185,412</u>	<u>7,330,655</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,461,918</u>	<u>\$ -</u>	<u>\$ 185,412</u>	<u>\$ 9,647,330</u>

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

CANTON AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Governmental Fund Balances	\$	7,330,655
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consisted of the following:

Capital assets - not depreciated			
Land			1,265,599
Capital assets - net of depreciation			
Site improvements	\$ 5,025,346		
Buildings	21,538,803		
Vehicles	76,917		
Equipment, furniture and fixtures	441,639		
Total depreciable capital assets	27,082,705		
Less, accumulated depreciation	(16,616,585)		
Total capital assets - net of depreciation			10,466,120

Long-term liabilities that are not due and payable in the current period are not reported in the funds. These liabilities consist of the following:

Bonds payable - net of premium	(2,450,305)		
Accrued interest	(5,938)		
Compensated absences	(179,680)		
Total liabilities			(2,635,923)

Property taxes receivable not considered available for current operations are deferred inflows of resources in the government funds but recognized as revenue in the statement of activities.

219,240

Pension and OPEB liabilities and deferred inflows and outflows are not reported in governmental funds. These consist of the following:

Deferred outflows of resources - pensions	3,631,524		
Deferred inflows of resources - pensions	(668,224)		
Separately financed specific liabilities - pension	(5,977)		
Net pension liability	(21,692,772)		
Total OPEB liability - local	(446,730)		
Total OPEB Liability - PSERS	(896,517)		
Deferred outflows of resources - OPEB - local	113,185		
Deferred outflows of resources - OPEB - PSERS	207,287		
Deferred inflows of resources - OPEB - local	(282,734)		
Deferred inflows of resources - OPEB - PSERS	(229,273)		
Separately financed liability - OPEB - PSERS	(196)		
Total pension and OPEB related items			(20,270,427)

Net Position of Governmental Activities	\$	<u>(3,624,736)</u>
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The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Student Sponsored Activities Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 4,903,867	\$ -	\$ 250,954	\$ 5,154,821
State sources	12,483,228	-	-	12,483,228
Federal sources	2,015,077	-	-	2,015,077
Total revenues	<u>19,402,172</u>	<u>-</u>	<u>250,954</u>	<u>19,653,126</u>
Other Financing Sources				
Interfund transfers in	-	838,000	-	838,000
Total revenues and other financing sources	<u>19,402,172</u>	<u>838,000</u>	<u>250,954</u>	<u>20,491,126</u>
Expenditures				
Instructional	10,659,137	-	-	10,659,137
Instructional student support	1,099,870	-	-	1,099,870
Administrative and financial support	1,729,661	-	-	1,729,661
Operation and maintenance of plant	1,540,449	-	-	1,540,449
Pupil transportation	997,931	-	-	997,931
Student activities	579,831	-	238,914	818,745
Existing site improvement services	1,399,706	-	-	1,399,706
Community service	60	-	-	60
Debt service	-	838,000	-	838,000
Total expenditures	<u>18,006,645</u>	<u>838,000</u>	<u>238,914</u>	<u>19,083,559</u>
Other Financing Uses				
Interfund transfers out	838,000	-	-	838,000
Total expenditures and other financing uses	<u>18,844,645</u>	<u>838,000</u>	<u>238,914</u>	<u>19,921,559</u>
Change in Fund Balances	557,527	-	12,040	569,567
Fund Balances - Beginning	<u>6,587,716</u>	<u>-</u>	<u>173,372</u>	<u>6,761,088</u>
Fund Balances - Ending	<u>\$ 7,145,243</u>	<u>\$ -</u>	<u>\$ 185,412</u>	<u>\$ 7,330,655</u>

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

CANTON AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balance - Total Governmental Funds \$ 569,567

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:

Capital outlay	\$ 1,467,692	
Depreciation expense	<u>(530,532)</u>	
Total capital outlay and depreciation expense		937,160

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term debt in the statement of net position. In the current period, this amounted to the following:

Bond repayments - principal	775,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:

Change in compensated absences	1,156
Change in other postemployment benefits liability and related items - local	(17,375)
Change in other postemployment benefits liability and related items - proportionate share	32,791

Debt premiums are expensed in the governmental funds but shown net in bonds payable and amortized in the statement of net position:

Amortization of bond premiums	18,825
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Changes in the proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

738,421

Other differences:

Change in unavailable revenues from property taxes	(4,578)	
Change in accrued interest	<u>1,937</u>	
Total other differences		<u>(2,641)</u>

Change in Net Position of Governmental Activities **\$ 3,052,904**

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

CANTON AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2023

	School Lunch Fund
Current Assets	
Cash and cash equivalents	\$ 751,047
Due from other governments	3,607
Other receivables	1,799
Inventories	<u>5,230</u>
Total current assets	<u>761,683</u>
Capital Assets - Net	<u>46,887</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	74,869
Deferred outflows of resources - OPEB - local	2,334
Deferred outflows of resources - OPEB - proportionate share	<u>4,274</u>
Total deferred outflows of resources	<u>81,477</u>
Current Liabilities	
Accounts payable	9,886
Due to other funds	<u>236,125</u>
Total current liabilities	<u>246,011</u>
Long-Term Liabilities	
Compensated absences	4,376
Separately financed specific liabilities - OPEB - proportionate share	4
Total OPEB liability - local	9,210
Net OPEB liability - proportionate share	18,483
Separately financed specific liabilities - pension	123
Net pension liability - proportionate share	<u>447,228</u>
Total long-term liabilities	<u>479,424</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	13,776
Deferred inflows of resources - OPEB - local	5,829
Deferred inflows of resources - OPEB - proportionate share	4,727
Advances on future period revenues	<u>7,536</u>
Total deferred inflows of resources	<u>31,868</u>
Net Position	
Net investment in capital assets	46,887
Unrestricted	<u>85,857</u>
Total net position	<u>\$ 132,744</u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

	School Lunch Fund
Operating Revenues	
Charges for services	\$ <u>66,507</u>
Operating Expenses	
Salaries and benefits	244,386
Services and supplies	405,874
Repairs and maintenance	5,858
Depreciation	<u>4,726</u>
Total operating expenses	<u>660,844</u>
Operating Loss	<u>(594,337)</u>
Nonoperating Revenues	
State sources	81,204
Federal sources	650,119
Earnings on investments	<u>18,684</u>
Total nonoperating revenues	<u>750,007</u>
Change in Net Position	155,670
Net Position (Deficit) - Beginning	<u>(22,926)</u>
Net Position - Ending	\$ <u>132,744</u>

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

CANTON AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

	School Lunch Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 59,100
Payments to suppliers	(440,070)
Payments to employees	(256,660)
Net cash flows from operating activities	<u>(637,630)</u>
Cash Flows from Noncapital Financing Activities	
State sources	83,976
Federal sources	728,092
Net cash flows from noncapital financing activities	<u>812,068</u>
Cash Flows from Investing Activities	
Earnings on investments	<u>18,684</u>
Net cash flows from investing activities	<u>18,684</u>
Change in Cash and Cash Equivalents	193,122
Cash and Cash Equivalents - Beginning	<u>557,925</u>
Cash and Cash Equivalents - Ending	<u>\$ 751,047</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating loss	\$ (594,337)
Adjustments	
Depreciation expense	4,726
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Other receivables	(1,751)
Inventories	6,051
Accounts payable	(34,389)
Due to other funds	12,110
Advances on future period revenues	(5,655)
Compensated absences	(78)
Other current or noncurrent liabilities and deferred inflows and outflows of resources	<u>(24,307)</u>
Net Cash Flows from Operating Activities	<u>\$ (637,630)</u>

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

District Overview

The Canton Area School District (the District) is located in Bradford, Lycoming and Tioga Counties in the northeastern section of the Commonwealth of Pennsylvania, with the Borough of Canton as the center of the District. The Borough of Canton is approximately 40 miles north of the City of Williamsport, Pennsylvania and 35 miles south of the City of Elmira, New York. The Canton Area School District includes the Borough of Canton and the Townships of Canton and LeRoy in Bradford County; the Townships of McIntyre and McNett in Lycoming County; and the Township of Union in Tioga County. The District is comprised of two schools, the Canton Area Elementary School and the Canton Jr/Sr High School.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 80, *Blending Requirement for Certain Component Units - an Amendment of GASB Statement No. 14*, the District has reviewed and evaluated its relationship with various agencies to determine if these agencies should be included in the annual financial statements of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria set forth in GASB Statements No. 14, No. 61 and No. 80, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the District's reporting entity.

- ◆ BLaST Intermediate Unit # 17
- ◆ Bradford County Tax Collection Committee
- ◆ Northern Tier Insurance Consortium
- ◆ Northern Tier Career Center

There were no situations in which the District designates management of an entity or where the District was able to significantly influence operations of an entity. The District does not solely fund deficits or receive the surplus funds of any other entity. There is no outstanding debt that is an obligation solely of the District, and the District does not contribute to a significant part of any other entity's revenues. The District is responsible for its proportionate share of the Northern Tier Career Center's ("NTCC") debt, along with other member districts of the Northern Tier Career Center. The NTCC is therefore considered a joint venture. Based on the above criteria, the District has not included any of the entities listed above in the District's annual financial statements. These entities are considered separate legal entities and are responsible for their own independent audits. Separately issued financial statements of these entities can be obtained from their respective administrative offices:

BLaST Intermediate Unit #17
33 Springbrook Drive
Canton, Pennsylvania 17724

Bradford County Tax Collection Committee
301 Main St
Towanda, Pennsylvania 18848

Northern Tier Career Center
120 Career Center Lane
Towanda, Pennsylvania 18848

Northern Tier Insurance Consortium
33 Springbrook Drive
Canton, Pennsylvania 17724

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District complies with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. The District also complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. The District's most significant accounting policies to the financial statements are described in the following paragraphs.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

The District's basic financial statements consist of government-wide financial statements, including the statement of net position and the statement of activities and fund financial statements which provide a more detailed level of information.

Government-Wide Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities. Eliminations have been made to minimize double-counting of internal activities. Governmental activities, which are supported primarily through governmental subsidies and taxes, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are allocated among the programs, functions and segments using a full cost allocation approach and are combined with direct expenses activity.

Program revenues include (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (2) grants and contributions that are restricted to meeting the operational requirements of a particular function and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function.

General revenues include taxes and other revenues not specifically identifiable with a particular program or function of the District.

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the District and attaining certain objectives in accordance with special regulations, restrictions or limitations. The emphasis of fund financial statements is on major funds, each of which are displayed in a separate column. All remaining funds are aggregated and reported as total nonmajor funds. There are two categories of funds: governmental and proprietary. The District currently does not have any fiduciary funds

Governmental Funds - Governmental funds are funds through which most governmental functions are financed. The District has three major governmental funds which are the general fund, the student sponsored activities fund and the debt service fund. The general fund is the principal operating fund and includes all operations not required to be recorded in other funds. The student sponsored activities fund accounts for student activities. The debt service fund accounts for accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

Proprietary Fund - The proprietary fund is used to account for ongoing activities which are similar to those often found in the private sector. The District's only proprietary fund is the school lunch fund. The school lunch fund accounts for activities that are usually self-sustaining, all or in part, through user charges for services rendered.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from producing and delivering goods, and providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual Basis - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means that all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations (whether current or non-current) of the District are included in the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position.

Modified Accrual Basis - The governmental fund financial statements are accounted for using the modified accrual basis of accounting and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to finance any of the liabilities of the current period. For the District, available means expected to be received within sixty days of year end. With this measurement focus only current assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the balance sheet. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Reconciliation's accompany the governmental fund financial statements to reconcile and explain the differences between fund balances and changes in fund balances, as presented in the fund financial statements, and net position and changes in net position, as presented in the government-wide financial statements.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

Cash and Cash Equivalents

For purposes of reporting in the statements of net position, the balance sheet and the statement of cash flows, the District includes all cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less in cash and cash equivalents. The District may invest excess cash in certificates of deposit with high credit quality financial institutions.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Taxes Receivable

Taxes receivable consisted of property taxes levied and uncollected as of year end for the current property tax levy and any previous year's property tax levy. Taxes receivable also included earned income taxes earned, but not collected as of year end. The allowance for uncollectible taxes is estimated based on management's evaluation of taxpayers with outstanding balances and their history with the taxpayer. Management has reviewed delinquent taxes receivables and concluded the losses from uncollectible accounts are immaterial to the financial statements as a whole, and therefore, there is no allowance for uncollectible taxes recorded.

Internal Balances

Short-term interfund receivables and payables are classified as current assets and liabilities in the fund financial statements. Short-term interfund receivables and payables between governmental activities and business-type activities are netted on the government-wide statement of net position.

Due from Other Governments

The District reports amounts as due from other governments, which consist of funds claimed but not received from various federal, state and other governmental agencies.

Inventories

Inventories are valued at cost, or fair value if donated, using the first-in/first-out ("FIFO") method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are reported in the governmental activities column on the government-wide statement of net position but are reported as expenditures in the governmental fund financial statements. Capital assets purchased and used by the proprietary fund are recorded in both the business-type activities column in the government-wide statement of net position and in the respective proprietary fund financial statement of net position.

The District has established a capital asset policy which defines capital assets and establishes criteria for capitalization and depreciation. Capital assets are recorded at historical cost for purchased or constructed assets and at estimated fair market value for donated assets. The District's capitalization policy also establishes a capitalization threshold, which defines the dollar threshold for capitalizing assets and a useful-life range for each capital asset class. All capital assets are depreciated, with the exception of construction in progress and land. Depreciation is calculated using the straight-line method. Capital assets, which include land, construction in progress, site improvements, buildings, library and textbooks, vehicles, and equipment, furniture and fixtures are reported in the government-wide statement of net position.

	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All assets	N/A
Site improvements	\$2,500	20
Buildings	\$2,500	40
Vehicles	\$2,500	8
Equipment, furniture and fixtures	\$2,500	10-15

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are reported on the government-wide financial statements in their entirety. Governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Unavailable Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 60 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unavailable revenues from property taxes that were recorded in the governmental funds for resources that are earned but not available are recorded as revenue in the government-wide statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The District reports deferred outflows of resources related to the OPEB plans and the pension plan in the district-wide statement of net position. The types of deferred outflows of resources related to the OPEB plans and pension plan are described in Notes 8 and 9, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to cash received before the related revenue is earned and is reported as advances on future period revenues. The District also reports deferred inflows of resources related to the OPEB plans and pension plan which are further described in Notes 8 and 9, respectively.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts result from a difference between the debt amount to be repaid by the District and the amount of proceeds received by the District. Bond premiums and discounts are amortized as a component of interest expense over the life of the debt obligation using the straight line method. Deferred gains or losses on refundings of debt result from the difference between the reacquisition price and the net carrying amount of the old debt. Deferred gains or losses on refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter using the straight line method. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, and deferred gains or losses on refundings of debt in the current period. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Bonds are presented net of remaining premiums and discounts on the statement of net position.

Compensated Absences, Vacation and Sick Leave

Vested compensated absences are accrued in proprietary fund types as they are earned by employees. Compensated absences related to governmental activities are accrued in the government-wide financial statements as they are earned by the employees and accrued in the governmental fund financial statements when payable from current financial resources. Employees of the District are entitled to paid sick and personal days depending on job classification, length of service and other factors. The District has calculated the accumulated sick days for each employee based on an agreed-upon amount of \$30 per day. Certain employees are also entitled to payment for all earned vacation days at termination or retirement at each employee's current rate.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Retirement

The District provides retirement benefits for substantially all its regular full-time teachers and employees, and its part-time teachers and employees who elect to participate, through contributions to the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS). The system provides various plans and options, all of which require employee contributions. The retirement system computes the cost of retirement benefits based on its fiscal year of June 30.

Accounting and Financial Reporting for Pensions

The District complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the District to report as a liability its portion of the collective pension liability in PSERS. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow of resources for the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow of resources is the District contributions to the pension systems subsequent to the measurement date.

The District complies with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objective of the Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement clarifies certain provisions with regard to the accounting and financial reporting for separately financed specific liabilities for defined benefit plans.

Accounting and Financial Reporting for Post Employment Benefits

The District complies with the provisions of GASB Statement No. 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Net Position and Fund Balance

Government-wide Financial Statements - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Net position in the statement of net position includes the following:

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt and bond premiums. Unspent bond proceeds are excluded. Net investment in capital assets amounted to \$9,328,301 for the primary government as of June 30, 2023.

Restricted - The component of net position that reports amounts restricted for scholarship programs for students. Restricted net position amounted to \$24,412 for the primary government as of June 30, 2023.

Unrestricted - The difference between the assets and deferred outflows of resources and the liabilities and deferred inflows of resources that is not reported as restricted or net investment in capital assets. This amounted to a deficit of \$12,844,705 for the primary government as of June 30, 2023.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Governmental Fund Financial Statements - In the governmental fund financial statements, the District reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.

Restricted Fund Balance - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education.

Assigned Fund Balance - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority. For the purposes of the District, the Board of Education has delegated authority to the Business Manager.

Unassigned Fund Balance - amounts that are available for any purpose.

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District establishes and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Business Manager is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the Business Manager is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

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

The following is a summary of the District's fund balance classifications and categories within those classifications held at the fiscal year ended June 30, 2023:

Restricted

Restricted for Scholarships - Reserve for scholarships is used to account for the specific funds that are restricted for scholarship programs for students. The balance at June 30, 2023 was \$24,412.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Assigned

Reserve for Subsequent Year - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2023, was \$606,900.

Reserve for PSERS/Health Insurance - Reserve for PSERS/Health Insurance represents assigned funds used to finance the employer portion of future retirement and health insurance payments for the District. This amounted to \$4,928,467 for all governmental funds as of June 30, 2023.

Reserve for Student Sponsored Activities - Reserve for student sponsored activities represents assigned funds used to finance future student sponsored activities. This amounted to \$185,412 for all governmental funds as of June 30, 2023.

Unassigned

Unassigned - Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$1,585,464 for all governmental funds as of June 30, 2023.

Property Taxes

The District levies property taxes based on the assessed value of the real estate within the District's borders. The assessed values are determined by the counties in which the District resides. The District levies the tax each July 1, the discount period ends August 31, face period ends October 31 and the penalty period ends December 31. Uncollected taxes at December 31 are turned over to the applicable County for collection and liens are placed against the property by the applicable County.

Interfund Transfers

Interfund transfers are reported as other financing sources and uses in governmental funds. These internal balances are reported as nonoperating revenues and expenses in the proprietary fund.

Exchange transactions between funds are reported as revenues in the seller funds, and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as an interfund transfer.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 2. Cash and Cash Equivalents

Carrying amounts of cash and cash equivalents as of June 30, 2023, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$ 7,805,422
Cash and cash equivalents - school lunch fund, statement of net position	<u>751,047</u>
Total cash and cash equivalents	<u>\$ 8,556,469</u>

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized with securities held by the District's agent in the District's name, (2) uninsured, and for which the securities are held by the financial institution or its trust department in the District's name, or (3) uncollateralized.

At June 30, 2023, the bank balance of deposits held was \$8,593,930. Financial institutions used by the District are required to secure deposits of all "public bodies" with a pledge of collateral in accordance with Pennsylvania Pledge Act 72 (72 P.S. Section 3836-1 et seq.). Therefore, all of the District's deposits were deemed to be fully collateralized at June 30, 2023.

Accounts covered by FDIC insurance coverage for a government unit are insured up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and up to \$250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing).

Note 3. Taxes Receivable

Taxes receivable consisted of the following at June 30, 2023:

<u>Description</u>	<u>Amount</u>
Property taxes receivable	\$ 224,382
Earned income taxes receivable	<u>117,788</u>
Total	<u>\$ 342,170</u>

Note 4. Due from Other Governments

The District reports amounts as due from other governments, which consists of funds claimed but not received from various state, federal and other governmental agencies. The District believes that all amounts due from other governments are fully collectible, therefore no allowance for doubtful accounts has been recorded. Due from other governments consisted of the following at June 30, 2023:

<u>Description</u>	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
State receivables	\$ 813,244	\$ -	\$ 813,244
Federal receivables	<u>410,066</u>	<u>3,607</u>	<u>413,673</u>
Total	<u>\$ 1,223,310</u>	<u>\$ 3,607</u>	<u>\$ 1,226,917</u>

Note 5. Internal Balances

Internal balances for each fund of the primary government were comprised of the following at June 30, 2023:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 236,125	\$ -
School lunch fund	<u>-</u>	<u>236,125</u>
Total	<u>\$ 236,125</u>	<u>\$ 236,125</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Internal balances of the District are utilized to:

- (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them,
- (2) move expenditures from chargeable funds to a single fund for disbursement, and
- (3) compensate for the time lag between the dates interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

Interfund transfers for each fund of the primary government were comprised of the following at June 30, 2023:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 838,000
Debt service fund	838,000	-
Total	<u>\$ 838,000</u>	<u>\$ 838,000</u>

Interfund transfers of the District are utilized to pay debt principal and interest on bonds payable.

Note 6. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ 1,265,599	\$ -	\$ -	\$ 1,265,599
Construction in progress	883,333	-	(883,333)	-
Total capital assets not depreciated	<u>2,148,932</u>	<u>-</u>	<u>(883,333)</u>	<u>1,265,599</u>
Capital Assets Depreciated				
Site improvements	2,742,307	2,283,039	-	5,025,346
Buildings	21,538,803	-	-	21,538,803
Vehicles	47,469	53,748	(24,300)	76,917
Equipment, furniture and fixtures	427,401	14,238	-	441,639
Total capital assets depreciated	<u>24,755,980</u>	<u>2,351,025</u>	<u>(24,300)</u>	<u>27,082,705</u>
Less - Accumulated Depreciation				
Site improvements	1,881,889	92,112	-	1,974,001
Buildings	13,824,658	406,855	-	14,231,513
Vehicles	43,125	9,615	(24,300)	28,440
Equipment, furniture and fixtures	360,681	21,950	-	382,631
Total accumulated depreciation	<u>16,110,353</u>	<u>530,532</u>	<u>(24,300)</u>	<u>16,616,585</u>
Total capital assets depreciated - net	<u>8,645,627</u>	<u>1,820,493</u>	<u>-</u>	<u>10,466,120</u>
Governmental Activities Capital Assets - Net	<u>\$ 10,794,559</u>	<u>\$ 1,820,493</u>	<u>\$ (883,333)</u>	<u>\$ 11,731,719</u>

Depreciation and amortization expense was charged to governmental activities as follows:

Depreciation Expense	
Unallocated depreciation	\$ <u>530,532</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Depreciated				
Equipment	\$ 276,302	\$ -	\$ -	\$ 276,302
Less - Accumulated Depreciation				
Equipment	<u>224,689</u>	<u>4,726</u>	<u>-</u>	<u>229,415</u>
Business-Type Activities Capital Assets - Net	<u>\$ 51,613</u>	<u>\$ (4,726)</u>	<u>\$ -</u>	<u>\$ 46,887</u>

Depreciation expense was charged to business-type activities as follows:

School lunch fund \$ 4,726

Note 7. Long-Term Obligations

Summary of Long-Term Obligations

A summary of government-wide long-term debt is detailed in the following schedule as of June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 3,150,000	\$ -	\$ 775,000	\$ 2,375,000	\$ 805,000
Plus, bond premium	94,130	-	18,825	75,305	18,826
Compensated absences	185,290	-	1,234	184,056	-
Separately financed specific liabilities - OPEB - proportionate share	100	100	-	200	-
Total OPEB liability - local	574,211	-	118,271	455,940	-
Net OPEB liability - proportionate share	1,183,000	-	268,000	915,000	-
Separately financed specific liabilities - pension	3,400	2,700	-	6,100	-
Net pension liability - proportionate share	<u>20,569,000</u>	<u>1,571,000</u>	<u>-</u>	<u>22,140,000</u>	<u>-</u>
	<u>\$25,759,131</u>	<u>\$ 1,573,800</u>	<u>\$ 1,181,330</u>	<u>\$26,151,601</u>	<u>\$ 823,826</u>

Bonds Payable

The District borrows money in order to acquire land and equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide statement of net position.

The District had the following serial bonds outstanding as of June 30, 2023:

<u>Purpose</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bonds, Series 2020	05/2027	2.00%	\$ 3,150,000	\$ -	\$ 775,000	\$ 2,375,000
Plus, bond premium			<u>94,130</u>	<u>-</u>	<u>18,825</u>	<u>75,305</u>
Total bonds payable - net of premiums			<u>\$ 3,244,130</u>	<u>\$ -</u>	<u>\$ 793,825</u>	<u>\$ 2,450,305</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Maturities of Bonds Payable

The annual aggregate maturities for bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 805,000	\$ 47,500	\$ 852,500
2025	820,000	31,400	851,400
2026	695,000	15,000	710,000
2027	55,000	1,100	56,100
Total	<u>\$ 2,375,000</u>	<u>\$ 95,000</u>	<u>\$ 2,470,000</u>

General Obligation Series of 2020 - On August 26, 2020, the District issued General Obligation Bonds, Series of 2020, in the amount of \$3,290,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2012 and Series 2015 and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2020 bonds will mature on May 15, 2027.

In the event the District defaults on the payment of the principal of or the interest on any of the bonds after the same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for 30 days, or if the District fails to comply with any provision of the bonds or the resolution, the law provides that the holders of 25% in aggregate principal amount of the bonds then outstanding may, upon appropriate action, appoint a trustee, who may be the paying agent, to represent the bondholders. The trustee may, and upon request of the holders of 25% in principal amount of the bonds then outstanding and upon being furnished with indemnity satisfactory to it shall, take such action on behalf of the bondholders as is more specifically set forth in the law. Such representation by the trustee shall be exclusive.

Interest Expense

For the year ended June 30, 2023, the components of interest expense include the following:

Interest paid	\$ 63,000
Less: interest accrued in the prior year	(7,876)
Add: interest accrued in the current year	5,938
Less: amortization of premium	<u>(18,825)</u>
Total interest expense	<u>\$ 42,237</u>

Note 8. Other Postemployment Benefits Obligation

Local Portion

Plan Description and Benefits - The District pays for a portion of eligible retirees' health insurance, depending on eligibility. Eligibility for postretirement benefits is based on age of retiree and years of service and depends upon the associated group or union. The District contributes to the Northern Tier Insurance Consortium Health Care Plan (the Plan), a multiple employer defined benefit healthcare plan administered by Highmark Insurance Group. The Plan provides medical benefits to active and retired employees of the District. All employees are eligible for benefits upon retirement with 30 years of PSERS service or upon superannuation retirement. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Employees Covered by Benefit Terms - At June 30, 2023, the following employees were covered by the benefit terms:

Participant Data

Active participants	115
Vested former participants	-
Retired participants	<u>4</u>
Total	<u>119</u>

Total Local OPEB Liability - The District's total local OPEB liability of \$455,940 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Methods and Assumptions - Local - The total local OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal, as a level percent of salary
Salary scale increases	2.50% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%
Discount rate	4.06%
Healthcare cost trend rate	6.0% in 2023 and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022. Mortality rates were projected generationally using Scale MP-2021 to reflect mortality improvement.

The following table shows the changes to the total OPEB liability:

	Governmental Activities	Business-type Activities	Total
Total OPEB liability as of July 1, 2022	\$ 562,382	\$ 11,829	\$ 574,211
Changes for the year:			
Service cost	43,412	660	44,072
Interest	13,530	279	13,809
Changes in assumptions or other inputs	(149,747)	(3,087)	(152,834)
Benefit payments	<u>(22,847)</u>	<u>(471)</u>	<u>(23,318)</u>
Net changes	<u>(115,652)</u>	<u>(2,619)</u>	<u>(118,271)</u>
Total OPEB liability as of June 30, 2023	<u>\$ 446,730</u>	<u>\$ 9,210</u>	<u>\$ 455,940</u>

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

The following presents the District's net OPEB liability calculated using the discount rate of 4.06% per annum (the "current rate"), as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.06%) or 1% point higher (5.06%) than the current rate:

	1% Decrease (3.06%)	Current Assumption (4.06%)	1% Increase (5.06%)
Total Local OPEB Liability	\$ 490,835	\$ 455,940	\$ 423,041

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

The following presents the local OPEB liability calculated using the healthcare cost trend rate, as well as what the local OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Total Local OPEB Liability	\$ 403,474	\$ 455,940	\$ 517,956

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

For the year ended June 30, 2023, the District recognized local OPEB expense of \$41,216. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to local OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between actual and expected experience	\$ 34,753	\$ 717	\$ 55,244	\$ 1,139
Changes of assumptions	55,179	1,138	227,490	4,690
Differences between projected and actual investment earnings	-	-	-	-
Changes in proportion	-	-	-	-
Employer contributions subsequent to the measurement date	23,253	479	-	-
Totals	<u>\$ 113,185</u>	<u>\$ 2,334</u>	<u>\$ 282,734</u>	<u>\$ 5,829</u>

Deferred outflows of resources of \$23,732 related to local OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
For the fiscal year ended:		
2024	\$ (16,328)	\$ (337)
2025	(16,328)	(337)
2026	(16,328)	(337)
2027	(16,328)	(337)
2028	(16,328)	(337)
Thereafter	(111,162)	(2,289)
Total	<u>\$ (192,802)</u>	<u>\$ (3,974)</u>

PSERS - Proportionate Share

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

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023 there were no assumed future benefit increases to participating eligible retirees.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

The PSERS's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Health Insurance Premium Assistance Program - PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employers or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

Employees Covered by Benefit Terms - At June 30, 2023, the following employees were covered by the benefit terms:

Participant Data

Active participants	115
Vested former participants	-
Retired participants	4
Total	<u>119</u>

Total Proportionate Share PSERS OPEB Liability - The District's total proportionate share PSERS OPEB liability of \$915,000 was measured as of June 30, 2022 and was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's share of the liability was 0.0497%, which is a decrease of 0.0002 with its proportionate share measured as of June 30, 2022.

Actuarial Methods and Assumptions - PSERS - The net PSERS OPEB liability as of June 30, 2023, was determined by rolling forward the PSERS's net OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 year municipal bond rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 mortality improvement scale.
- Participation rate:
 - ♦ Eligible retirees will elect to participate Pre age 65 at 50%
 - ♦ Eligible retirees will elect to participate Post age 65 at 70%

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for the year ended June 30, 2022.
- Cost method - amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method - market value.
- Participation rate - the actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Cash	<u>100.0 %</u>	0.5%
	<u>100.0 %</u>	

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

The discount rate used to measure the net PSERS OPEB liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20 year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total PSERS OPEB liability.

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

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

	<u>1% Decrease (3.09%)</u>	<u>Current Assumption (4.09%)</u>	<u>1% Increase (5.09%)</u>
Net PSERS OPEB Liability	\$ 1,035,000	\$ 915,000	\$ 815,000

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

The following presents the PSERS's OPEB liability calculated using the healthcare cost trend rate per annum (the "current rate"), as well as what the District's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Net PSERS OPEB Liability	\$ 915,000	\$ 915,000	\$ 915,000

PSERS OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized proportionate share PSERS OPEB expense of \$26,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to PSERS OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between actual and expected experience	\$ 7,838	\$ 162	\$ 4,899	\$ 101
Changes of assumptions	99,940	2,060	211,637	4,363
Differences between projected and actual investment earnings	1,960	40	-	-
Changes in proportion	29,394	606	12,737	263
Employer contributions subsequent to the measurement date	68,155	1,406	-	-
Totals	<u>\$ 207,287</u>	<u>\$ 4,274</u>	<u>\$ 229,273</u>	<u>\$ 4,727</u>

Deferred outflows of resources of \$69,561 related to PSERS OPEB resulting from District contributions to PSERS subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
For the fiscal year ended:		
2024	\$ (24,495)	\$ (505)
2025	(12,737)	(263)
2026	(13,717)	(283)
2027	(17,636)	(364)
2028	(21,556)	(444)
Thereafter	-	-
Total	<u>\$ (90,141)</u>	<u>\$ (1,859)</u>

Note 9. Defined Benefit Plan

General Information

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Plan Description

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

Benefits Provided

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

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of year of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Contributions

Member Contributions

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

Member Contribution Rates:

Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary:

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,481,448 for the year ended June 30, 2023.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

GASB Statement No. 68 and No. 71

The District complies with GASB No. 68 and GASB No. 71. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumption that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement requires the employers liability to plan employees for defined benefit plans (net pension liability) be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, prior to implementing GASB Statements No. 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB Statement No. 68, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation method.

At June 30, 2023, the District reported a liability of \$22,140,000 for its proportionate share of the net pension liability. The District reported a liability of \$6,100 for its proportionate share of the separately financed specific liabilities. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.0498%, which is a decrease of 0.0003 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023 the District recognized pension expense of \$1,781,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS			
	Deferred Outflows of		Deferred Inflows of	
	<u>Resources</u>		<u>Resources</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Differences between expected and actual experience	\$ 9,798	\$ 202	\$ 187,142	\$ 3,858
Changes of assumptions	647,648	13,352	-	-
Net difference between projected and actual investment earnings	-	-	367,425	7,575
Changes in proportion and differences between employer contributions and proportionate share of contributions	518,314	10,686	113,657	2,343
Employer contributions subsequent to the measurement date	2,455,764	50,629	-	-
Total	<u>\$ 3,631,524</u>	<u>\$ 74,869</u>	<u>\$ 668,224</u>	<u>\$ 13,776</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

\$2,506,393 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the fiscal year ended:

	Governmental Activities	Business-type Activities
2024	\$ 290,021	\$ 5,979
2025	302,758	6,242
2026	(598,658)	(12,342)
2027	513,415	10,585
2028	-	-
Total	<u>\$ 507,536</u>	<u>\$ 10,464</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.00%, includes inflation at 2.75%
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% to 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Expected rate of return on investments

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

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

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

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2023 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 rates and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount (7.00%)</u>	<u>1% Increase (8.00%)</u>
Canton Area School District's proportionate share of the PSERS Net Pension Liability	\$ 28,637,000	\$ 22,140,000	\$ 16,663,000

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2022 were as follows:

	<u>PSERS 6/30/2021</u>
Valuation date	6/30/2021
Employers' total pension liability	\$ 114,986,964,000
Plan fiduciary net position	<u>(70,528,242,000)</u>
Employers' net pension liability	<u>\$ 44,458,722,000</u>
Ratio of plan net position to the employers' total pension liability	61.34 %

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

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 10. Unavailable Revenues - Taxes

Unavailable revenues from property taxes and federal sources are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Property taxes collected within the first sixty days subsequent to year end are considered measurable and available. The components of unavailable revenues from property taxes are illustrated in the following schedule as of June 30, 2023:

Property taxes receivable	\$ 224,382
Less: collections within the first sixty days	<u>(5,142)</u>
Total unavailable revenues from property taxes	<u>\$ 219,240</u>

Unavailable revenues from property taxes that were recorded in the governmental funds balance sheet for resources that are earned but not available are recorded as revenue in the government-wide statement of activities.

Note 11. Related Parties

Joint Ventures

Local County Tax Collection Committees - The Local County Tax Collection Committees are the Tax Collection Committees representing all earned income taxing jurisdictions within the applicable County in Pennsylvania, as defined by Pennsylvania Act 32 of 2008. The Committees are comprised of representatives from each taxing jurisdiction. All actions of the Committees are approved by the representatives using a weighted voting system based on each taxing jurisdiction's percentage of earned income tax revenue and population. The Committees are responsible for overseeing the collection and distribution of earned income and net profit taxes within the Tax Collection District. Members of the Tax Collection District are comprised of all school districts and municipalities within the geographic boundaries of the Tax Collection District. Non-members are entities not included within the geographic boundaries of the Tax Collection District. Amounts remitted to the District from the Local County Tax Collection Committees amounted to \$633,356, net of the collection fee, for the year ended June 30, 2023.

Northern Tier Insurance Consortium - The District and other surrounding educational institutions created a joint venture, the Northern Tier Insurance Consortium (the "Consortium"), to provide adequate and affordable health, hospitalization, medical services and other insurance coverage to the District's employees and to stabilize the cost of this insurance over the long term. The governing body of the joint venture is comprised of a Director from each participating educational institution. The District pays an estimated monthly premium to the Consortium for health insurance coverage calculated by an annual actuarial assessment. The District's payments of monthly premiums amounted to \$1,814,020 for the year ended June 30, 2023. The Consortium self funds all claims and utilizes a third party to manage the claims.

Northern Tier Career Center - The school districts in Bradford County created the Northern Tier Career Center, to provide vocational-technical education opportunities for their students. The District appoints one member of the governing board. Consequently, the District does not have material control or fiscal responsibility over the Northern Tier Career Center. The District along with the other seven participating Districts share in the operating deficit or surplus of the Northern Tier Career Center. In the fiscal year ended June 30, 2006, the District's approved the Northern Tier Career Center capital improvement project and subsequent bond issue in the amount of \$9,200,000. By approving this project, the District agreed to an additional tuition increase to be used for funding the debt service of the project. The original bond issue was refunded in the fiscal year ended June 30, 2012 by issuing new bonds in the amount of \$7,965,000. During the year ended June 30, 2020, NTCC issued Revenue Bonds, Series of 2019 in the amount of \$3,905,000, that advance refunded its Revenue Bond, Series of 2011 and paid for the cost of issuing the new bonds. The Series of 2019 bond has an interest rate of 2.797% with final maturity due March 1, 2025. The District's original net tuition requirement related to the original bond issue was \$874,920. The District's net tuition requirement related to the refunded bond issue is \$340,045 in total and \$67,981 for the fiscal year ended June 30, 2023.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Future payments including principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 64,478	\$ 3,655	\$ 68,133
2025	66,189	1,851	68,040
Total	<u>\$ 130,667</u>	<u>\$ 5,506</u>	<u>\$ 136,173</u>

Jointly Governed Organization

BLaST Intermediate Unit #17 - BLaST Intermediate Unit #17 serves Bradford, Lycoming, Sullivan and Tioga counties. BLaST Intermediate Unit #17 assists regional schools with their charge to educate special needs children and provides speech, hearing, psychological and vision services. The members are comprised of the 19 school districts within Bradford, Lycoming, Sullivan and Tioga counties. The Board of Directors has oversight responsibility to provide financial interdependency, designate governing authority and the selection of management. The Board of Directors is comprised of one director from each of the nineteen member districts. The District's payments to BLaST amounted to \$201,112 for the year ended June 30, 2023. The District had \$22,199 payable to BLaST for the year ended June 30, 2023.

Note 12. Risks and Uncertainties

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

The District carries commercial insurance for these and other risks of loss including workers' compensation and general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 13. Federal and State Funded Programs

The District participates in a number of Federal and Pennsylvania grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 14. Stewardship, Compliance, Accountability

Expenditures exceeding the budget by material margins are explained as follows:

Interfund Transfers Out - The District's interfund transfers out exceeded budgeted amounts due to the general fund transferring money to the debt service fund for payments of bond principal and interest.

Note 15. Future Implementations of GASB Pronouncements

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 99 - *Omnibus 2022*. Effective for various periods through fiscal years beginning after June 15, 2023.

Statement No. 100 - *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. Effective for fiscal years beginning after June 15, 2023.

Statement No. 101 - *Compensated Absences*. Effective for fiscal years beginning after December 15, 2023.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON AREA SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Local sources	\$ 4,171,925	\$ 4,171,925	\$ 4,903,867	\$ 731,942
State sources	11,295,945	11,295,945	12,483,228	1,187,283
Federal sources	<u>2,965,500</u>	<u>2,965,500</u>	<u>2,015,077</u>	<u>(950,423)</u>
Total revenues	<u>18,433,370</u>	<u>18,433,370</u>	<u>19,402,172</u>	<u>968,802</u>
Other Financing Sources				
Budgetary reserve	-	67,861	-	(67,861)
Total revenues and other financing sources	<u>18,433,370</u>	<u>18,501,231</u>	<u>19,402,172</u>	<u>900,941</u>
Expenditures				
Regular programs	7,906,769	7,906,769	7,735,944	170,825
Special programs	2,288,538	2,501,827	2,492,475	9,352
Vocational education	308,411	313,050	313,050	-
Other instructional programs	104,320	133,825	117,668	16,157
Student support services	464,931	495,429	493,841	1,588
Instructional staff support services	440,839	440,119	399,516	40,603
Administration support services	1,056,202	1,048,532	1,040,357	8,175
Pupil health support services	199,654	207,324	206,512	812
Business support services	433,970	434,690	432,597	2,093
Operation and maintenance of plant services	1,381,163	1,544,965	1,540,449	4,516
Student transportation services	936,500	997,931	997,931	-
Central support services	286,922	286,922	256,708	30,214
Student activities	482,779	549,676	579,831	(30,155)
Community service	-	-	60	(60)
Existing site improvement services	2,455,931	2,455,931	1,399,706	1,056,225
Debt service	<u>906,000</u>	<u>906,000</u>	<u>-</u>	<u>906,000</u>
Total expenditures	<u>19,652,929</u>	<u>20,222,990</u>	<u>18,006,645</u>	<u>2,216,345</u>
Other Financing Uses				
Budgetary reserve	502,200	-	-	-
Interfund transfers out	-	-	838,000	(838,000)
Total expenditures and other financing uses	<u>20,155,129</u>	<u>20,222,990</u>	<u>18,844,645</u>	<u>1,378,345</u>
Net Change in Fund Balance	<u>\$ (1,721,759)</u>	<u>\$ (1,721,759)</u>	557,527	<u>\$ 2,279,286</u>
Fund Balance - Beginning			<u>6,587,716</u>	
Fund Balance - Ending			<u>\$ 7,145,243</u>	

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

	<u>2023</u>	<u>Total OPEB Liability - Local</u>		<u>2020</u>	<u>2019</u>	<u>2018</u>
		<u>2022</u>	<u>2021</u>			
Service Cost	\$ 44,072	\$ 42,748	\$ 31,039	\$ 37,378	\$ 34,938	\$ 35,439
Interest	13,809	10,953	16,200	19,040	19,157	12,757
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(2,464)	-	(78,431)	-	65,871
Changes in assumptions or other inputs	(152,834)	(17,219)	59,224	(110,549)	1,587	18,172
Benefit payments	<u>(23,318)</u>	<u>(12,993)</u>	<u>(9,579)</u>	<u>(27,649)</u>	<u>(35,521)</u>	<u>(27,921)</u>
Net changes in total OPEB liability	(118,271)	21,025	96,884	(160,211)	20,161	104,318
Total OPEB liability - beginning	<u>574,211</u>	<u>553,186</u>	<u>456,302</u>	<u>616,513</u>	<u>596,352</u>	<u>492,034</u>
Total OPEB liability - ending	<u>\$ 455,940</u>	<u>\$ 574,211</u>	<u>\$ 553,186</u>	<u>\$ 456,302</u>	<u>\$ 616,513</u>	<u>\$ 596,352</u>
Covered payroll	\$ 6,751,729	\$ 6,751,729	\$ 6,328,773	\$ 6,328,773	\$ 6,180,207	\$ 6,180,207
Total OPEB liability as a percentage of covered payroll	6.75 %	8.50 %	8.74 %	7.21 %	9.98 %	9.65 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net OPEB Liability - PSERS
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
The District's proportion of the net OPEB liability	0.049700 %	0.049900 %	0.047900 %	0.048000 %	0.048000 %	0.048700 %
The District's proportionate share of the net OPEB liability	\$ 915,000	\$ 1,183,000	\$ 1,035,000	\$ 1,021,000	\$ 1,001,000	\$ 992,000
The District's covered payroll	\$ 7,304,679	\$ 7,075,615	\$ 6,725,899	\$ 6,619,264	\$ 6,640,917	\$ 6,462,706
The District's proportionate share of the net OPEB liability as a percentage of covered payroll	12.53 %	16.72 %	15.39 %	15.42 %	15.07 %	15.35 %
Plan fiduciary net position as a percentage of the net OPEB liability	6.86 %	5.30 %	5.69 %	5.56 %	5.56 %	5.73 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's PSERS OPEB Contributions
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 73,214	\$ 66,852	\$ 66,474	\$ 66,952	\$ 64,611	\$ 61,213	\$ 64,876	\$ 63,660	\$ 61,115	\$ 57,412
Contribution in relation to the actuarially determined contribution	<u>58,036</u>	<u>58,066</u>	<u>56,389</u>	<u>54,994</u>	<u>53,628</u>	<u>53,842</u>	<u>56,391</u>	<u>63,660</u>	<u>61,115</u>	<u>57,412</u>
Contribution deficiency (excess)	\$ <u>15,178</u>	\$ <u>8,786</u>	\$ <u>10,085</u>	\$ <u>11,958</u>	\$ <u>10,983</u>	\$ <u>7,371</u>	\$ <u>8,485</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	<u>\$7,304,679</u>	<u>\$7,075,615</u>	<u>\$6,725,899</u>	<u>\$6,619,264</u>	<u>\$6,640,917</u>	<u>\$6,462,706</u>	<u>\$6,479,057</u>	<u>\$6,487,288</u>	<u>\$6,412,260</u>	<u>\$6,405,367</u>
Contribution as a percentage of covered payroll	0.79 %	0.82 %	0.84 %	0.83 %	0.81 %	0.83 %	0.87 %	0.98 %	0.95 %	0.90 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - PSERS
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.049800 %	0.050100 %	0.047900 %	0.048000 %	0.048000 %	0.048700 %	0.050100 %	0.049900 %	0.050400 %	0.050800 %
The District's proportionate share of the net pension liability	\$22,140,000	\$20,569,000	\$23,585,000	\$22,456,000	\$23,042,000	\$24,052,000	\$24,828,000	\$21,615,000	\$19,949,000	\$20,796,000
The District's proportionate share of the separately financed specific liability	\$ 6,100	\$ 3,400	\$ 2,100	\$ 4,000	\$ 3,000	\$ 4,000	\$ 4,000	\$ 7,000	\$ -	\$ -
The District's covered payroll	\$ 7,304,679	\$ 7,075,615	\$ 6,725,899	\$ 6,619,264	\$ 6,640,917	\$ 6,462,706	\$ 6,479,057	\$ 6,487,288	\$ 6,412,260	\$ 6,405,367
The District's proportionate share of the net pension liability as a percentage of covered payroll	303.09 %	290.70 %	350.66 %	339.25 %	346.97 %	372.17 %	383.20 %	333.19 %	311.11 %	324.67 %
Plan fiduciary net position as a percentage of the total pension liability	61.34 %	63.67 %	54.32 %	55.66 %	54.00 %	51.84 %	50.14 %	54.36 %	57.24 %	54.49 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Employer's Contributions for PSERS
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,481,448	\$ 2,378,706	\$ 2,235,444	\$ 2,225,723	\$ 2,115,245	\$ 1,993,678	\$ 1,832,160	\$ 1,588,707	\$ 1,380,554	\$ 1,053,078
Contribution in relation to the contractually required contribution	<u>2,481,448</u>	<u>2,378,706</u>	<u>2,235,444</u>	<u>2,225,723</u>	<u>2,115,245</u>	<u>1,993,678</u>	<u>1,832,160</u>	<u>1,588,707</u>	<u>1,380,554</u>	<u>1,053,078</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
District's covered payroll	<u>\$ 7,304,679</u>	<u>\$ 7,075,615</u>	<u>\$ 6,725,899</u>	<u>\$ 6,619,264</u>	<u>\$ 6,640,917</u>	<u>\$ 6,462,706</u>	<u>\$ 6,479,057</u>	<u>\$ 6,487,288</u>	<u>\$ 6,412,260</u>	<u>\$ 6,405,367</u>
Contribution as a percentage of covered payroll	33.97 %	33.62 %	33.24 %	33.62 %	31.85 %	30.85 %	28.28 %	24.49 %	21.53 %	16.44 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2023

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

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

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

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

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

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

Legal budgetary control is maintained at the sub-function level. The Board may make transfers of funds appropriated to any particular item of expenditure by action of the Board of Education in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Note 2. Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of District's Proportionate Share of the Net OPEB Liability and Schedule of District's PSERS OPEB Contributions

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

The Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of District's Proportionate Share of the Total OPEB Liability and Schedule of District's PSERS OPEB Contributions is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

The Schedule of District's PSERS OPEB Contribution is required for cost-sharing plans and not single employer plans. Therefore, there is no disclosure for the local OPEB.

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
4.06%	2.28%	1.86%	3.36%	2.98%	3.13%

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

Note 3. Schedule of District's Proportionate Share of the Net Pension Liability - PSERS and Schedule of Employer's Contributions for PSERS

The information presented in these required supplementary schedules was determined as part of the audit of the Commonwealth of Pennsylvania Public School Employers' Retirement System Plan. Additional information for the pension schedules can be found in the notes to the financial statements.

SINGLE AUDIT REPORTS

CANTON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Source Code	Assistance Listing	Pass Through Grantor Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue at 6/30/22	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/23	Expenditures to Subrecipients
U.S. Department of Agriculture											
Pass through programs from:											
Pennsylvania Department of Education:											
Child Nutrition Cluster											
National School Lunch Program	I	10.555	362-0000	21-22	N/A	\$ 62,671	\$ 62,671	\$ -	\$ -	\$ -	\$ -
National School Lunch Program	I	10.555	362-0000	22-23	N/A	434,341	-	434,341	434,341	2,323	-
COVID-19 - Supply Chain Assistance	I	10.555	365-0000	22-23	N/A	31,343	-	31,343	31,343	-	-
School Breakfast Program	I	10.553	367-0000	21-22	N/A	18,909	18,909	-	-	-	-
School Breakfast Program	I	10.553	367-0000	22-23	N/A	133,682	-	133,682	133,682	1,284	-
Non-cash Assistance - Pass through programs from											
Pennsylvania Department of Agriculture:											
National School Lunch Program -											
Surplus Food Distribution	I	10.555	N/A	21-22	N/A	-	(11,181)	11,181	11,181	-	-
National School Lunch Program -											
Surplus Food Distribution	I	10.555	N/A	22-23	N/A	44,174	-	38,944	38,944	(5,230)	-
Total Child Nutrition Cluster						725,120	70,399	649,491	649,491	(1,623)	-
COVID-19 - P-EBT Administrative Costs											
Grants	I	10.649	358-0000	22-23	N/A	628	-	628	628	-	-
Total U.S. Department of Agriculture						725,748	70,399	650,119	650,119	(1,623)	-
U.S. Department of Education											
Pass through program from Pennsylvania Department of Education:											
Title I Grants to Local Educational											
Agencies	I	84.010	013-220061	21-22	326,289	65,166	65,166	-	-	-	-
Title I Grants to Local Educational											
Agencies	I	84.010	013-230061	22-23	287,376	245,836	-	287,376	287,376	41,540	-
Total Title I Grants to Local Educational Agencies						311,002	65,166	287,376	287,376	41,540	-
Supporting Effective Instruction											
State Grants	I	84.367	020-220061	21-22	41,163	16,489	16,489	-	-	-	-
Supporting Effective Instruction											
State Grants	I	84.367	020-230061	22-23	35,803	25,382	-	35,803	35,803	10,421	-
Total Supporting Effective Instruction State Grants						41,871	16,489	35,803	35,803	10,421	-
Student Support and Academic											
Enrichment Program	I	84.424	144-220061	21-22	25,609	15	-	15	15	-	-
Student Support and Academic											
Enrichment Program	I	84.424	144-230061	22-23	25,602	24,389	-	25,602	25,602	1,213	-
Total Student Support and Academic Enrichment Program						24,404	-	25,617	25,617	1,213	-
Total other pass through programs						377,277	81,655	348,796	348,796	53,174	-

See accompanying notes to schedule of expenditures of federal awards.

CANTON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Source Code	Assistance Listing	Pass Through Grantor Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue at 6/30/22	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/23	Expenditures to Subrecipients
Education Stabilization Fund											
Pass through programs from:											
Pennsylvania Department of Education:											
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-210061	20-23	1,257,495	<u>146,220</u>	<u>146,220</u>	-	-	-	-
COVID-19 - ARP Elementary and Secondary School Emergency Relief Fund - 2022	I	84.425U	223-210061	20-24	2,543,548	1,849,853	488,278	1,643,681	1,643,681	282,106	-
COVID-19 - ARP Elementary and Secondary School Emergency Relief Fund - <i>Homeless Children and Youth</i>	I	84.425U	181-212059	20-24	14,629	3,751	(750)	2,986	2,986	(1,515)	-
COVID-19 - ARP Elementary and Secondary School Emergency Relief Fund - <i>7% Learning Loss</i>	I	84.425U	225-210061	20-24	141,208	23,107	32,894	19,614	19,614	29,401	-
COVID-19 - ARP Elementary and Secondary School Emergency Relief Fund - <i>7% After School Programs</i>	I	84.425U	225-210061	20-24	28,242	4,621	(14,338)	-	-	(18,959)	-
COVID-19 - ARP Elementary and Secondary School Emergency Relief Fund - <i>7% Summer School Programs</i>	I	84.425U	225-210061	20-24	28,242	<u>4,621</u>	<u>(14,338)</u>	-	-	<u>(18,959)</u>	-
Total COVID-19 - ARP Elementary and Secondary School Emergency Relief Fund						<u>1,885,953</u>	<u>491,746</u>	<u>1,666,281</u>	<u>1,666,281</u>	<u>272,074</u>	-
Total Education Stabilization Fund						<u>2,032,173</u>	<u>637,966</u>	<u>1,666,281</u>	<u>1,666,281</u>	<u>272,074</u>	-
Special Education Cluster:											
BLaST IU #17:											
Special Education Grants to States (IDEA Part B)	I	84.027	N/A	21-22	213,965	213,965	213,965	-	-	-	-
Special Education Grants to States (IDEA Part B)	I	84.027	N/A	22-23	221,061	175,676	-	221,061	221,061	45,385	-
Special Education Preschool Grants (IDEA Preschool)	I	84.173	N/A	21-22	1,624	1,624	1,624	-	-	-	-
Special Education Preschool Grants (IDEA Preschool)	I	84.173	N/A	22-23	2,508	2,508	-	2,508	2,508	-	-
Pennsylvania Department of Education:											
COVID-19 - ARP Special Education Grants to States (IDEA Part B)	I	84.027	062-220017	21-22	47,172	<u>48,097</u>	<u>47,172</u>	<u>925</u>	<u>925</u>	-	-
Total Special Education Cluster						<u>441,870</u>	<u>262,761</u>	<u>224,494</u>	<u>224,494</u>	<u>45,385</u>	-
Total U.S. Department of Education						<u>2,851,320</u>	<u>982,382</u>	<u>2,239,571</u>	<u>2,239,571</u>	<u>370,633</u>	-
Total Expenditures of Federal Awards						<u>\$ 3,577,068</u>	<u>\$ 1,052,781</u>	<u>\$ 2,889,690</u>	<u>\$ 2,889,690</u>	<u>\$ 369,010</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

CANTON AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule was prepared on the accrual basis of accounting and is presented in accordance with the requirements of *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2. Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program". During the year ended June 30, 2023, the District expended \$50,125 worth of commodities under the National School Lunch Program (Assistance Listing #10.555).

Note 3. Source Codes

The accompanying schedule of expenditures of federal awards presents a column with the source code. The sources are as follows:

<u>Source Codes</u>	<u>Type of Funding</u>
D	Direct
I	Indirect

Note 4. Subrecipients

No amounts were provided to subrecipients.

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

To the Board of Education
Canton Area School District
Canton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Canton Area School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Canton Area School District's basic financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 14, 2023

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

To the Board of Education
Canton Area School District
Canton, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Canton Area School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Canton Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 14, 2023

CANTON AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

1. Material weaknesses identified?
2. Significant deficiencies identified that are not considered to be material weaknesses?
3. Noncompliance material to the financial statements noted?

☐ Yes ☒ No

☐ Yes ☒ None reported

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

4. Material weaknesses identified?
5. Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes ☒ No

☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major program:

Unmodified

6. Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)?
7. Major program audited was:

☐ Yes ☒ No

Program/Cluster Name

Assistance Listing

Education Stabilization Fund - Elementary and Secondary
School Emergency Relief Fund

84.425D

Education Stabilization Fund - ARP Elementary and Secondary
School Emergency Relief Fund

84.425U

8. Dollar threshold to determine type A and type B programs:
9. Auditee qualified as low-risk auditee?

\$750,000

☒ Yes ☐ No

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**CANTON AREA SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

- 2022-001 - Education Stabilization Fund - ARP Elementary and Secondary School Emergency Relief Fund Assistance Listing No. 84.425U; Grant Period - For the year ended June 30, 2022

Condition: The internal controls over the Single Funding Certificate were not operating properly. As a result, for salaries and/or benefits charged to the grant, Single Funding Certificates were not completed for one employee out of one tested.

Recommendation: The District's internal control system over documentation requirements related to the Education Stabilization Fund - ARP Elementary and Secondary School Emergency Relief Fund should be reviewed and modified to prevent future errors. The District should review Education Stabilization Fund - ARP Elementary and Secondary School Emergency Relief Fund files to ensure all required Single Funding Certificates are completed.

Current Status: The District reviewed and modified internal controls over documentation requirements. This deficiency has been resolved as of June 30, 2023.