



Springfield School District Springfield, Pennsylvania Delaware County

Financial Statements
Year Ended June 30, 2022



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SPRINGFIELD SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Springfield School District, Springfield, Pennsylvania, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, Springfield School District adopted new accounting guidance, GASB Statement No. 87, "Leases". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Springfield School District, Springfield, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 Springfield 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 Springfield 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.

Report on Summarized Comparative Information

We have previously audited Springfield School District's 2021 financial statements, and our report dated October 22, 2021 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions – PSERS on pages 4 through 15 and 51 through 56 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 Springfield School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants 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*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of Springfield School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Springfield School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Springfield School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
October 24, 2022**

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Management's discussion and analysis ("**MD&A**") of the financial performance of the Springfield School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2022. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of the Springfield Literacy Center (grades K to 1), two elementary schools (grades 2 to 5), a middle school (grades 6 to 8) and a high school (grades 9 to 12) consisting of approximately 4,350 students. The District covers 7 square miles and is comprised of the Township of Springfield and the Borough of Morton. During 2021-2022, there were 467 employees in the District, consisting of 287 teachers, 22 administrators, including general administration, principals and supervisors, and 158 support personnel including administrative assistants, maintenance staff, custodial staff, security staff and classroom assistants.

DISTRICT MISSION

Standing as a cornerstone of the Springfield and Morton communities, we are committed to excellence in all dimensions of student life. Through dynamic, diverse and innovative programs, we empower our students to achieve their individual potential and inspire them to become ethical and contributing citizens.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows resulting in a deficit in total net position at the close of the 2021-2022 fiscal year of \$73,750,445. During the 2021-2022 fiscal year, the District had an increase in total net position of \$5,169,192. The net position of governmental activities increased by \$4,492,732 and net position of business-type activities increased by \$676,460.
- The General Fund reported a decrease in fund balance of \$1,615,294, bringing the cumulative balance to \$6,149,543 at the conclusion of the 2021-2022 fiscal year.
- At June 30, 2022, the General Fund fund balance includes \$2,149,881 which is considered nonspendable consisting predominantly of the District's reserves with the Delaware County Public Schools Healthcare Trust, and unassigned amounts of \$3,999,662 or 4.70% of the \$85,032,733 2022-2023 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- During 2021-2022, the Capital Projects Fund reported a decrease in fund balance of \$12,925,476 due primarily to costs paid that were associated with the high school master plan project. The remaining fund balance of \$22,183,953 as of June 30, 2022 is restricted for the high school master plan project and future capital project expenditures.
- Total General Fund revenues and other financing sources were \$1,202,817 or 1.49% more than budgeted amounts and total General Fund expenditures and other financing uses were \$366,478 or 0.44% less than budgeted amounts resulting in a net positive variance of \$1,569,295.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 16 and 17 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group 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 District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the 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 short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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 governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 18 through 21 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 22 through 24 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 25 through 26 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 27 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the OPEB liability - PSERS and OPEB plan PSERS contributions, as well as additional analysis which consists of combining and individual fund financial statements.

The required and other supplementary information can be found on Pages 51 through 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2021-2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$73,750,445. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2022 and 2021.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 39,413,563	\$ 55,285,298	\$845,171	\$283,269	\$ 40,258,734	\$ 55,568,567
Noncurrent assets	<u>142,736,728</u>	<u>133,569,158</u>	<u>36,017</u>	<u>41,917</u>	<u>142,772,745</u>	<u>133,611,075</u>
Total assets	<u>182,150,291</u>	<u>188,854,456</u>	<u>881,188</u>	<u>325,186</u>	<u>183,031,479</u>	<u>189,179,642</u>
DEFERRED OUTFLOWS						
Deferred charges – pensions	18,107,599	17,641,110	-	-	18,107,599	17,641,110
Deferred charges – OPEB	2,865,094	2,379,511	-	-	2,865,094	2,379,511
Deferred amounts on debt refunding	-	4,399	-	-	-	4,399
Total deferred outflows	<u>20,972,693</u>	<u>20,025,020</u>	<u>-</u>	<u>-</u>	<u>20,972,693</u>	<u>20,025,020</u>
LIABILITIES						
Current liabilities	11,617,082	12,976,324	50,781	171,239	11,667,863	13,147,563
Noncurrent liabilities	<u>244,230,865</u>	<u>270,449,669</u>	<u>-</u>	<u>-</u>	<u>244,230,865</u>	<u>270,449,669</u>
Total liabilities	<u>255,847,947</u>	<u>283,425,993</u>	<u>50,781</u>	<u>171,239</u>	<u>255,898,728</u>	<u>283,597,232</u>
DEFERRED INFLOWS						
Deferred credits – OPEB	5,072,889	667,270	-	-	5,072,889	667,270
Deferred credits – pensions	<u>16,783,000</u>	<u>3,859,797</u>	<u>-</u>	<u>-</u>	<u>16,783,000</u>	<u>3,859,797</u>
Total deferred inflows	<u>21,855,889</u>	<u>4,527,067</u>	<u>-</u>	<u>-</u>	<u>21,855,889</u>	<u>4,527,067</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	15,169,672	13,643,555	36,017	41,917	15,205,689	13,685,472
Restricted	7,003,119	7,115,925	-	-	7,003,119	7,115,925
Unrestricted (deficit)	<u>(96,753,643)</u>	<u>(99,833,064)</u>	<u>794,390</u>	<u>112,030</u>	<u>(95,959,253)</u>	<u>(99,721,034)</u>
Total net position (deficit)	<u>\$(74,580,852)</u>	<u>\$(79,073,584)</u>	<u>\$830,407</u>	<u>\$153,947</u>	<u>\$(73,750,445)</u>	<u>\$(78,919,637)</u>

The District's total assets as of June 30, 2022 were \$183,031,479 of which \$33,910,373 or 18.53% consisted of cash and \$142,772,745 or 78.00% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2022 were \$255,898,728 of which \$142,183,919 or 55.56% consisted of general obligation debt used to acquire and construct capital assets and \$93,896,742 or 36.69% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$95,959,253 at June 30, 2022. The District's unrestricted net position increased by \$3,761,781 during 2021-2022 primarily due to the results of current year operations and the change in the District's net pension liability and related deferred outflows and inflows.

A portion of the District's net position reflects its restricted net position which totaled \$7,003,119 as of June 30, 2022. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2022, the District's net investment in capital assets increased by \$1,520,217 as the debt used to acquire the capital assets was being repaid faster than capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The following table presents condensed information for the *Statement of Activities* of the District for 2022 and 2021:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues						
Charges for services	\$ 114,320	\$ 21,872	\$ 228,854	\$ 127,066	\$ 343,174	\$ 148,938
Operating grants and contributions	12,443,871	11,818,166	1,878,642	536,218	14,322,513	12,354,384
Capital grants and contributions	579,980	190,000	-	-	579,980	190,000
General revenues						
Property taxes levied for general purposes	62,007,521	60,446,383	-	-	62,007,521	60,446,383
Other taxes levied for general purposes	2,119,482	1,754,701	-	-	2,119,482	1,754,701
Grants and entitlements not restricted to specific programs	4,638,541	4,394,309	-	-	4,638,541	4,394,309
Investment earnings	<u>290,815</u>	<u>349,321</u>	<u>1,697</u>	<u>370</u>	<u>292,512</u>	<u>349,691</u>
Total revenues	<u>82,194,530</u>	<u>78,974,752</u>	<u>2,109,193</u>	<u>663,654</u>	<u>84,303,723</u>	<u>79,638,406</u>
EXPENSES						
Instruction	49,113,435	50,539,147	-	-	49,113,435	50,539,147
Instructional student support services	6,289,007	6,637,843	-	-	6,289,007	6,637,843
Administrative and financial support services	7,644,211	8,848,539	-	-	7,644,211	8,848,539
Operation and maintenance of plant services	5,111,919	9,518,872	-	-	5,111,919	9,518,872
Pupil transportation	3,349,524	2,534,445	-	-	3,349,524	2,534,445
Student activities	1,909,389	1,813,228	-	-	1,909,389	1,813,228
Community services	68,636	38,579	-	-	68,636	38,579
Interest and amortization expense related to noncurrent liabilities	4,223,526	4,602,576	-	-	4,223,526	4,602,576
Food service	-	-	<u>1,432,733</u>	<u>858,111</u>	<u>1,432,733</u>	<u>858,111</u>
Total expenses	<u>77,709,647</u>	<u>84,533,229</u>	<u>1,432,733</u>	<u>858,111</u>	<u>79,142,380</u>	<u>85,391,340</u>
Change in net position before other changes	4,484,883	(5,558,477)	676,460	(194,457)	5,161,343	(5,752,934)
Gain (loss) on sale of capital assets	7,849	(7,949,876)	-	(219,777)	7,849	(8,169,653)
Transfers	-	(293,825)	-	<u>293,825</u>	-	-
CHANGE IN NET POSITION (DEFICIT)	<u>\$ 4,492,732</u>	<u>\$(13,802,178)</u>	<u>\$ 676,460</u>	<u>\$(120,409)</u>	<u>\$ 5,169,192</u>	<u>\$(13,922,587)</u>

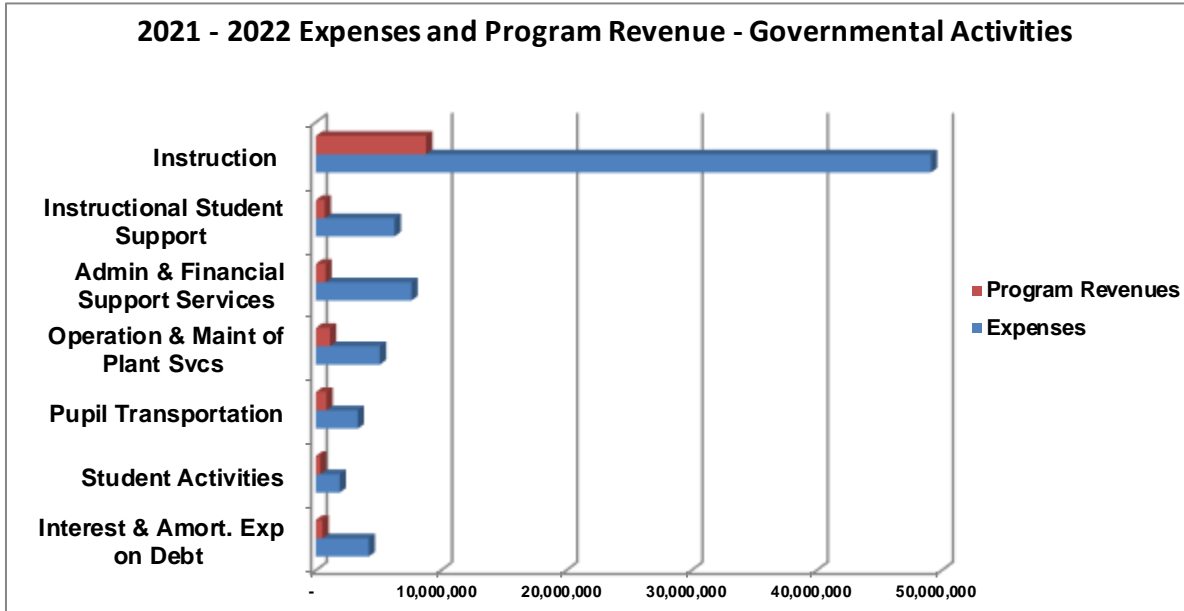
Overall the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gain in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to support the budget and limit the real estate tax millage increase. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A significant portion of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial properties located mostly in Springfield Township.

SPRINGFIELD SCHOOL DISTRICT

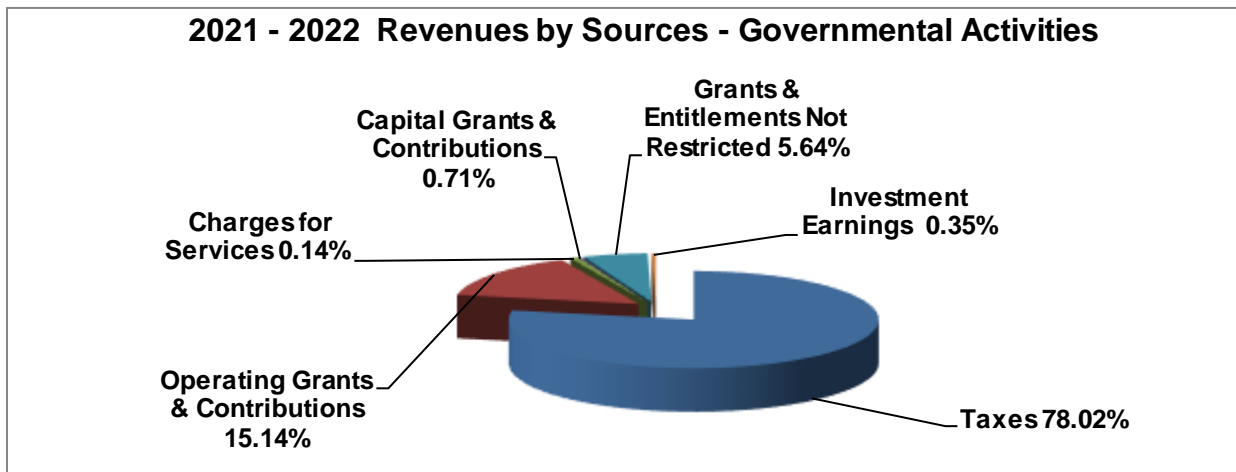
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GOVERNMENTAL FUNDS

The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$28,333,496 which is a decrease of \$14,540,770 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2022 and 2021 and the total 2022 change in governmental fund balances.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

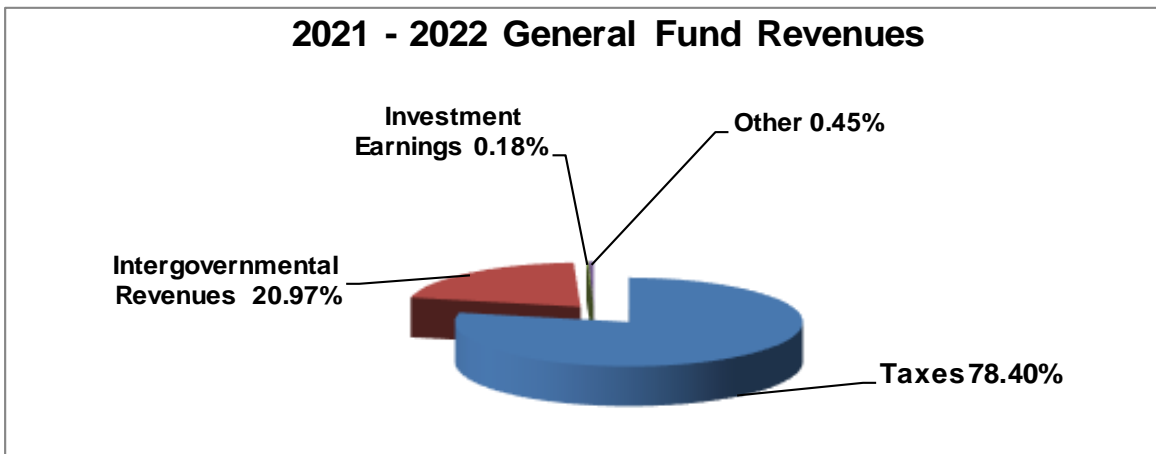
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>Change</u>
General Fund	\$ 6,149,543	\$ 7,764,837	\$ (1,615,294)
Capital Projects Fund	22,183,953	35,109,429	(12,925,476)
	<u>\$28,333,496</u>	<u>\$42,874,266</u>	<u>\$(14,540,770)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the General Fund fund balance was \$6,149,543 representing a decrease of \$1,615,294 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021-2022 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 78.40% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$64,131,628	\$62,216,276	\$1,915,352	3.08
Intergovernmental revenues	17,156,849	16,231,598	925,251	5.70
Investment earnings	148,980	158,999	(10,019)	(6.30)
Other	367,463	372,118	(4,655)	(1.25)
	<u>\$81,804,920</u>	<u>\$78,978,991</u>	<u>\$2,825,929</u>	<u>3.58</u>

Net tax revenues increased by \$1,915,352 or 3.08% due to a milage increase of 1.76% for real estate taxes and an increase in collections for interim real estate, realty transfer, and mercantile taxes. The following table summarizes changes in the District's tax revenues for 2022 compared to 2021:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$60,441,547	\$59,346,580	\$1,094,967	1.85
Interim real estate tax	511,162	13,657	497,505	3642.86
PURTA tax	60,170	59,156	1,014	1.71
Payments in lieu of tax	48,209	47,764	445	0.93
Realty transfer tax	1,089,226	905,299	183,927	20.32
Mercantile tax	970,085	790,247	179,838	22.76
Delinquent real estate tax	1,011,229	1,053,573	(42,344)	(4.02)
	<u>\$64,131,628</u>	<u>\$62,216,276</u>	<u>\$1,915,352</u>	<u>3.08</u>

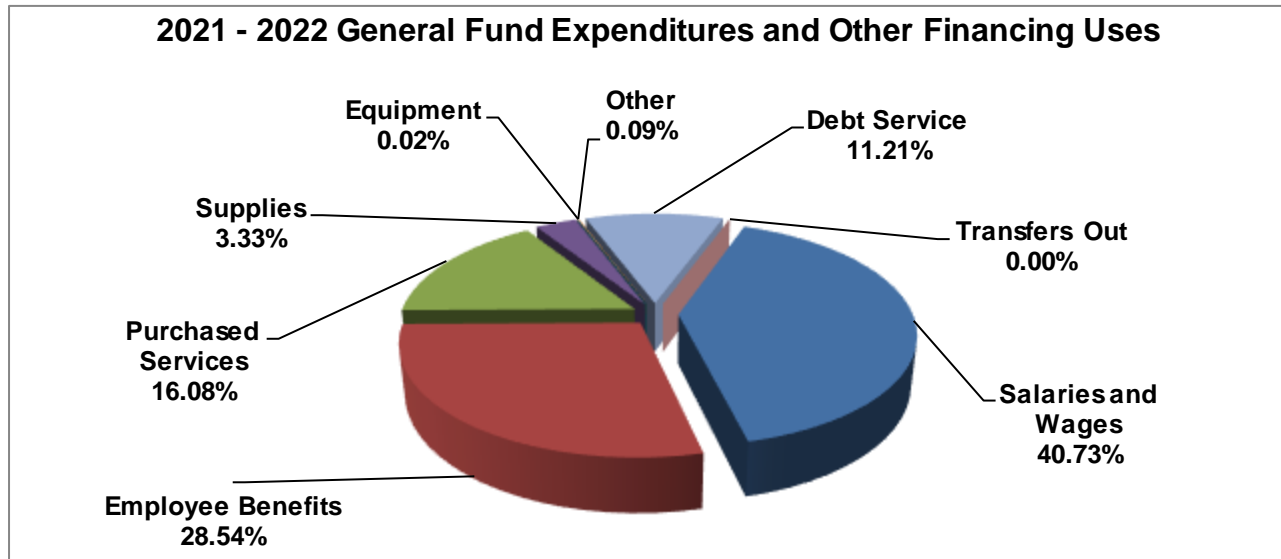
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Intergovernmental revenues increased due to additional funding received for the state retirement subsidy which increased commensurate with the employer annual contribution percentage and increased state appropriations for basic education and rental subsidies.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$33,973,522	\$32,757,004	\$1,216,518	3.71
Employee benefits	23,805,426	21,138,002	2,667,424	12.62
Purchased services	13,413,739	11,862,499	1,551,240	13.08
Supplies	2,777,694	3,762,101	(984,407)	(26.17)
Equipment	20,377	42,776	(22,399)	(52.36)
Other	78,897	708,368	(629,471)	(88.86)
Debt service	9,350,559	9,459,040	(108,481)	(1.15)
Transfers out	-	293,825	(293,825)	(100.00)
	<u>\$83,420,214</u>	<u>\$80,023,615</u>	<u>\$3,396,599</u>	<u>4.24</u>

Salaries and wages increased by \$1,216,518 or 3.71% in 2021-2022 as a result of additional staff added, contractually obligated pay increases for the various District collective bargaining agreements in addition to salary increases for non-union employees.

Employee benefits increased by \$2,667,424 or 12.62% primarily due to an increase in medical and prescription costs incurred during the year and an increase in employer retirement contribution percentage.

Purchased services increased by \$1,551,240 or 13.08% primarily due to increased special education contracted services, tuition costs, substitute costs and increased transportation costs due to declines in the prior year resulting from the impact of COVID-19 and the buildings being on a hybrid schedule or closed during portions of the fiscal year.

Supplies decreased by \$984,407 or 26.17% due to a decrease in information technology expenditures in part due to additional costs incurred in prior year related to providing educational services during COVID-19.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. Transfers from the General Fund are made to this fund when available to minimize the need for additional debt borrowings. The District has been proactive in terms of preparing for unexpected and proposed capital projects each year and has developed a capital projects improvement plan which has created a priority list of capital facility needs. The District also uses this fund to support its five-year plan to update the District-wide technology plan and major equipment program. During 2021-2022, the Capital Projects Fund reported a decrease in fund balance of \$12,925,476 primarily due to capital expenditures made during the year related to the high school master plan. The remaining fund balance of \$22,183,953 as of June 30, 2022 is restricted for the high school master plan project and future capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1st each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing sources were \$1,202,817 or 1.49% more than budgeted amounts and total General Fund expenditures and other financing uses were \$366,478 or 0.44% less than budgeted amounts resulting in a net positive variance of \$1,569,295. Major budgetary highlights for 2021-2022 were as follows:

- Actual federal revenues received were \$300,309 more than budgeted amounts because of additional COVID-19 relief funding passed through to the District by the Pennsylvania Department of Education. Local revenues were \$504,964 higher than budget due to more than anticipated collections for interim real estate taxes and realty transfer taxes.
- Actual instructional expenditures were \$359,288 less than budgeted amounts due to lower special education tuitions and purchased contracted services due to the continued impact from COVID-19 and fewer candidates available to provide substitute services.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUND

The District's business-type activities and proprietary fund consist of the District's food services program. The District's food services program is managed by an outside third-party contractor. During 2021-2022, the net position of the business-type activities and proprietary fund increased by \$676,460 due to increased federal subsidies for breakfast and school lunch programs. As of June 30, 2022, the business-type activities and proprietary fund had net position of \$830,407.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$142,772,745 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment and right-to-use leased equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$9,161,670 or 6.86%. The increase was the result of current year additions in excess of current year disposals and depreciation expense.

Current year capital additions were \$14,234,814 and depreciation expense was \$5,073,144.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Major capital additions for the current fiscal year included the following:

- | | |
|--|-------------|
| • Construction in progress – High school fields and parking lots | \$9,234,259 |
| • Construction in progress – Halderman field | \$2,803,920 |
| • Construction in progress – HVAC projects at elementary schools | \$1,342,800 |

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$142,183,919 consisting of \$115,515,000 in bonds payable, \$13,425,000 in notes payable, and net deferred credits of \$13,243,919. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$5,110,467 or 3.47% during the fiscal year.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$142,183,919 is within the current debt limitation of the District which was \$178,619,930 as of June 30, 2022.

The District's general obligation debt rating is a Standard & Poor's AA/Stable underlying rating. Standard and Poor's notes that the AA/Stable rating reflects the District's stable financial performance, limited tax base and manageable debt position.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$93,896,742 as of June 30, 2022. The District's net pension liability decreased by \$16,891,044 or 15.25% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB liability which totaled \$6,904,575 as of June 30, 2022. The District's OPEB liability decreased by \$4,031,998 or 36.87% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for financing and right-to use leases payable, compensated absences, and early retirement incentive plans, which totaled \$1,245,629 as of June 30, 2022. These liabilities decreased by \$185,295 or 12.95% during the fiscal year.

FACTORS BEARING ON DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain stagnant with only minor increases. The Commonwealth of Pennsylvania only accounted for approximately 17.67% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2021-2022. Local sources of revenue, primarily property taxes, now support approximately 79.12% of the costs of educational programs and services in the District.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

- The District adopted a 2022-2023 budget totaling \$85,032,733 which is projected to use \$627,842 of General Fund fund balance which is unassigned as of June 30, 2022 and the real estate tax millage rate was increased by approximately 2.95%. The District's use of the fund balance offset projected increases of \$1,762,036 in salaries and benefits and a \$440,208 increase in debt service and other purchased services. The District anticipates budgeted local revenues to increase by 5% and return to pre-COVID levels. In addition, for 2021-2022, the District received additional pass-through Federal funding from the Pennsylvania Department of Education through the American Rescue Plan Act to respond to the impact of COVID-19 and anticipates receiving additional governmental funding during the 2022-2023 school year.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
 - ◆ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state, 3.9% for Springfield School District for 2022-2023, the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., special education and retirement system contributions) over which the school district has no control.
 - ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homestead and farmstead approved tax parcels. (Act 1 permitted slot machine gambling in Pennsylvania.)
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to PSERS. The 2017 took effect in July of 2019. The law changed the pension plans for all new hires effective July 1, 2019. It did not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2023-2024 is projected at 35.69%. Currently, the employer contribution rate for 2022-2023 is 35.26%.
- In 2022, the District successfully negotiated a new contract with the Springfield Education Association whose contract had expired on June 30, 2022. The new agreement is for three years expiring on June 30, 2025. In June 2019, the Springfield Educational Support Professionals Association agreed to a 4-year contract extension expiring on June 30, 2023.
- The District has been working on a proposed high school master plan through its facilities committee over the last six years. In June 2015, the School Board approved the recommendation to pursue state and local approvals to construct a new high school and commence the financing plan required to construct the high school. All Township and local approvals were received, the project commenced in August 2018 and the project was completed in December 2020.

SPRINGFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Due to delays caused by COVID-19, the new high school was completed by December 2020 and the building was opened in January 2021. The District issued new general obligation bonds over the last seven years to finance this project and has received \$128 million in proceeds to finance costs for the high school master plan and other capital asset projects.

- The District does not expect significant commercial business growth in the near future given the existing developed commercial and residential nature of the local economy and a lack of developable land remaining within the District. In fact, the District has experienced only a minor increase in the assessed value of commercial properties within the District, which limits growth in tax revenues for the District.
- Over the last five years, the District has experienced an increase of approximately 247 students attending the District's five schools - most notably at the elementary schools and Springfield High School. The elementary schools' increases are primarily attributed to the success of the Springfield Literacy Center and the District manages these increases by balancing the growth via redistricting the enrollment areas. The growth at Springfield High School is a result of the growth in the elementary school enrollments from prior years and these students now attending the high school. The District is preparing for a slight continuation of this growth in student enrollment at Springfield High School. The existing building has the capacity to hold approximately 400 additional students, so additional space should not be needed to absorb this slight increase. In addition, should the increase of students continue at the elementary level, additional classroom space and faculty could be required for both the elementary and middle schools.

The other demographic fact that might impact future enrollment could be the continued enrollment changes for non-public schools and the turnover in the District's demographic census - as senior citizens move out and turn over their homes to younger families coming into District. Should the census change with increased numbers of families with school-age children, student enrollment could continue to increase in future years, possibly requiring additional staff and classroom space.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Operations, Springfield School District, 200 S. Rolling Road, Springfield, Pennsylvania 19064.

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022 with summarized comparative totals for 2021

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 33,141,907	\$ 768,466	\$ 33,910,373	\$ 48,385,039
Taxes receivable	1,090,577	-	1,090,577	1,112,182
Due from other governments	2,263,589	64,349	2,327,938	2,102,169
Internal balances	(383)	383	-	-
Other receivables	767,992	-	767,992	808,078
Prepaid expenses	2,149,881	-	2,149,881	3,155,525
Inventories	-	11,973	11,973	5,574
Total current assets	39,413,563	845,171	40,258,734	55,568,567
NONCURRENT ASSETS				
Capital assets, net	142,736,728	36,017	142,772,745	133,611,075
Total assets	182,150,291	881,188	183,031,479	189,179,642
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	-	-	-	4,399
Deferred charges - OPEB	2,865,094	-	2,865,094	2,379,511
Deferred charges - pension	18,107,599	-	18,107,599	17,641,110
Total deferred outflows of resources	20,972,693	-	20,972,693	20,025,020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	2,128,185	50,781	2,178,966	3,748,604
Accrued salaries, payroll withholdings and benefits	7,942,969	-	7,942,969	7,827,620
Unearned revenues	31,234	-	31,234	35,680
Accrued interest payable	1,514,694	-	1,514,694	1,535,659
Total current liabilities	11,617,082	50,781	11,667,863	13,147,563
NONCURRENT LIABILITIES				
Due within one year	5,901,468	-	5,901,468	5,499,815
Due in more than one year	238,329,397	-	238,329,397	264,949,854
Total noncurrent liabilities	244,230,865	-	244,230,865	270,449,669
Total liabilities	255,847,947	50,781	255,898,728	283,597,232
DEFERRED INFLOWS OF RESOURCES				
Deferred credits - OPEB	5,072,889	-	5,072,889	667,270
Deferred credits - pension	16,783,000	-	16,783,000	3,859,797
Total deferred inflows of resources	21,855,889	-	21,855,889	4,527,067
NET POSITION (DEFICIT)				
Net investment in capital assets	15,169,672	36,017	15,205,689	13,685,472
Restricted	7,003,119	-	7,003,119	7,115,925
Unrestricted (deficit)	(96,753,643)	794,390	(95,959,253)	(99,721,034)
Total net position (deficit)	\$ (74,580,852)	\$ 830,407	\$ (73,750,445)	\$ (78,919,637)

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 49,113,435	\$ 5,046	\$ 8,798,588	\$ 579,980	\$ (39,729,821)	\$ -	\$ (39,729,821)	\$ (42,296,161)
Instructional student support services	6,289,007	-	712,153	-	(5,576,854)	-	(5,576,854)	(5,917,537)
Administrative and financial support services	7,644,211	-	778,321	-	(6,865,890)	-	(6,865,890)	(8,024,631)
Operation and maintenance of plant services	5,111,919	69,391	470,402	-	(4,572,126)	-	(4,572,126)	(8,734,034)
Pupil transportation	3,349,524	-	851,149	-	(2,498,375)	-	(2,498,375)	(1,577,786)
Student activities	1,909,389	39,883	305,635	-	(1,563,871)	-	(1,563,871)	(1,651,407)
Community services	68,636	-	-	-	(68,636)	-	(68,636)	(38,579)
Interest and amortization related to noncurrent liabilities	4,223,526	-	527,623	-	(3,695,903)	-	(3,695,903)	(4,263,056)
Total governmental activities	<u>77,709,647</u>	<u>114,320</u>	<u>12,443,871</u>	<u>579,980</u>	<u>(64,571,476)</u>	<u>-</u>	<u>(64,571,476)</u>	<u>(72,503,191)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	1,432,733	228,854	1,878,642	-	-	674,763	674,763	(194,827)
Total business-type activities	<u>1,432,733</u>	<u>228,854</u>	<u>1,878,642</u>	<u>-</u>	<u>-</u>	<u>674,763</u>	<u>674,763</u>	<u>(194,827)</u>
Total primary government	<u>\$ 79,142,380</u>	<u>\$ 343,174</u>	<u>\$ 14,322,513</u>	<u>\$ 579,980</u>	<u>(64,571,476)</u>	<u>674,763</u>	<u>(63,896,713)</u>	<u>(72,698,018)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					62,007,521	-	62,007,521	60,446,383
Other taxes levied for general purposes					2,119,482	-	2,119,482	1,754,701
Grants and entitlements not restricted to specific programs					4,638,541	-	4,638,541	4,394,309
Investment earnings					290,815	1,697	292,512	349,691
Gain (loss) on disposal of capital assets					7,849	-	7,849	(8,169,653)
Total general revenues					<u>69,064,208</u>	<u>1,697</u>	<u>69,065,905</u>	<u>58,775,431</u>
CHANGE IN NET POSITION (DEFICIT)					4,492,732	676,460	5,169,192	(13,922,587)
NET POSITION (DEFICIT)								
Beginning of year					(79,073,584)	153,947	(78,919,637)	(64,997,050)
End of year					<u>\$ (74,580,852)</u>	<u>\$ 830,407</u>	<u>\$ (73,750,445)</u>	<u>\$ (78,919,637)</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022 with summarized comparative totals for 2021

	General Fund	Capital Projects Fund	Totals	
			2022	2021
ASSETS				
Cash	\$ 9,638,084	\$ 23,503,823	\$ 33,141,907	\$ 48,287,110
Taxes receivable	1,090,577	-	1,090,577	1,112,182
Due from other governments	2,263,589	-	2,263,589	1,922,403
Other receivables	767,992	-	767,992	808,078
Prepaid items	2,149,881	-	2,149,881	3,155,525
Total assets	\$ 15,910,123	\$ 23,503,823	\$ 39,413,946	\$ 55,285,298
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 808,315	\$ 1,319,870	\$ 2,128,185	\$ 3,577,365
Due to other funds	383	-	383	-
Accrued salaries, payroll withholdings and benefits	8,008,769	-	8,008,769	7,881,482
Unearned revenues	31,234	-	31,234	35,680
Total liabilities	8,848,701	1,319,870	10,168,571	11,494,527
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	911,879	-	911,879	916,505
FUND BALANCES				
Nonspendable				
Prepaid items	2,149,881	-	2,149,881	3,155,525
Restricted for				
Capital projects	-	22,183,953	22,183,953	35,109,429
Committed to				
Employer retirement rate stabilization	-	-	-	3,019,053
Unassigned	3,999,662	-	3,999,662	1,590,259
Total fund balances	6,149,543	22,183,953	28,333,496	42,874,266
Total liabilities, deferred inflows of resources and fund balances	\$ 15,910,123	\$ 23,503,823	\$ 39,413,946	\$ 55,285,298

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 28,333,496
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	142,736,728
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	(883,196)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	911,879
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(244,165,065)
Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,514,694)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (74,580,852)</u>

SPRINGFIELD SCHOOL DISTRICT

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

Year ended June 30, 2022 with summarized comparative totals for 2021

	General Fund	Capital Projects Fund	Totals	
			2022	2021
REVENUES				
Local sources	\$ 64,710,601	\$ 721,815	\$ 65,432,416	\$ 63,146,838
State sources	15,267,845	-	15,267,845	14,570,729
Federal sources	1,814,568	-	1,814,568	1,641,747
Total revenues	<u>81,793,014</u>	<u>721,815</u>	<u>82,514,829</u>	<u>79,359,314</u>
EXPENDITURES				
Current				
Instruction	49,086,571	-	49,086,571	46,382,250
Support services	22,994,152	1,596	22,995,748	22,121,859
Operation of noninstructional services	1,988,932	-	1,988,932	1,705,178
Facilities acquisition, construction and improvement services	-	14,014,066	14,014,066	26,971,830
Debt service	9,350,559	-	9,350,559	9,459,040
Total expenditures	<u>83,420,214</u>	<u>14,015,662</u>	<u>97,435,876</u>	<u>106,640,157</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,627,200)</u>	<u>(13,293,847)</u>	<u>(14,921,047)</u>	<u>(27,280,843)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	14,870,000
Issuance of debt - refunding	-	-	-	34,105,000
Payment of debt - refunding	-	-	-	(34,101,709)
Bond premiums	-	-	-	2,861,800
Refund of prior year receipts	4,057	-	4,057	(633,441)
Proceeds from extended term financing	-	368,371	368,371	323,398
Sale of/compensation for capital assets	7,849	-	7,849	-
Transfers out	-	-	-	(293,825)
Total other financing sources (uses)	<u>11,906</u>	<u>368,371</u>	<u>380,277</u>	<u>17,131,223</u>
NET CHANGE IN FUND BALANCES	<u>(1,615,294)</u>	<u>(12,925,476)</u>	<u>(14,540,770)</u>	<u>(10,149,620)</u>
FUND BALANCES				
Beginning of year	<u>7,764,837</u>	<u>35,109,429</u>	<u>42,874,266</u>	<u>53,023,886</u>
End of year	<u>\$ 6,149,543</u>	<u>\$ 22,183,953</u>	<u>\$ 28,333,496</u>	<u>\$ 42,874,266</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (14,540,770)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and amortization expense in the current period.

Capital outlay expenditures	\$ 14,234,814	
Amortization expense for right-to-use leased assets	(53,394)	
Depreciation expense	<u>(5,013,850)</u>	9,167,570

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

Deferred inflows of resources June 30, 2021	(916,505)	
Deferred inflows of resources June 30, 2022	<u>911,879</u>	(4,626)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds payable	4,420,000	
Proceeds from extended term financing	(368,371)	
Repayment of extended term financing	433,520	
Amortization of discounts, premiums and deferred amounts on refunding	<u>686,068</u>	5,171,217

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.

Change in net pension liability and related deferred inflows and outflows	4,434,330	
Current year change in accrued interest payable	20,965	
Current year change in long-term early retirement incentive	82,970	
Current year change in compensated absences	49,114	
Current year change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>111,962</u>	<u>4,699,341</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 4,492,732

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2022 with summarized comparative totals for 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 768,466	\$ 97,929
Due from other governments	64,349	179,766
Due from other funds	383	-
Inventories	11,973	5,574
Total current assets	<u>845,171</u>	<u>283,269</u>
NONCURRENT ASSETS		
Capital assets, net	36,017	41,917
Total assets	<u>881,188</u>	<u>325,186</u>
LIABILITIES AND NET POSITION (DEFICIT)		
LIABILITIES		
Accounts payable	50,781	171,239
Total liabilities	<u>50,781</u>	<u>171,239</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	36,017	41,917
Unrestricted (deficit)	794,390	112,030
Total net position (deficit)	<u>\$ 830,407</u>	<u>\$ 153,947</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

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

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for services	\$ 228,854	\$ 127,066
OPERATING EXPENSES		
Purchased professional and technical services	111,936	84,683
Purchased property services	48,674	21,469
Purchased services	554,843	382,562
Supplies	711,380	352,834
Depreciation	5,900	16,563
Total operating expenses	<u>1,432,733</u>	<u>858,111</u>
Operating loss	<u>(1,203,879)</u>	<u>(731,045)</u>
NONOPERATING REVENUES (EXPENSES)		
Earnings on investments	1,697	370
State sources	42,593	18,936
Federal sources	1,836,049	517,282
Loss on disposal of assets	-	<u>(219,777)</u>
Total nonoperating revenues	<u>1,880,339</u>	<u>316,811</u>
Net gain (loss) before transfers	676,460	(414,234)
Transfers in	<u>-</u>	<u>293,825</u>
CHANGE IN NET POSITION	676,460	(120,409)
NET POSITION		
Beginning of year	<u>153,947</u>	<u>274,356</u>
End of year	<u>\$ 830,407</u>	<u>\$ 153,947</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 228,854	\$ 127,066
Cash payments to suppliers for goods and services	<u>(1,472,234)</u>	<u>(657,877)</u>
Net cash used for operating activities	<u>(1,243,380)</u>	<u>(530,811)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	47,451	13,085
Federal sources	1,864,769	309,503
Transfers in	<u>-</u>	<u>293,825</u>
Net cash provided by noncapital financing activities	<u>1,912,220</u>	<u>616,413</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>1,697</u>	<u>370</u>
Net increase in cash	670,537	85,972
CASH		
Beginning of year	<u>97,929</u>	<u>11,957</u>
Ending of year	<u>\$ 768,466</u>	<u>\$ 97,929</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (1,203,879)	\$ (731,045)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	5,900	16,563
Donated commodities used	81,839	48,046
(Increase) decrease in Inventories	(6,399)	1,095
Due from other funds	(383)	-
Increase (decrease) in Accounts payable	<u>(120,458)</u>	<u>134,530</u>
Net cash used for operating activities	<u>\$ (1,243,380)</u>	<u>\$ (530,811)</u>
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 81,839</u>	<u>\$ 48,046</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 143,405	\$ 137,930
Total assets	<u>143,405</u>	<u>137,930</u>
NET POSITION		
Restricted for community enrichment	48,777	44,496
Restricted for student activities	<u>94,628</u>	<u>93,434</u>
Total net position	<u>\$ 143,405</u>	<u>\$ 137,930</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Receipts from student groups	\$ 228,770	\$ 65,949
Local contributions	<u>23,710</u>	<u>34,572</u>
	<u>252,480</u>	<u>100,521</u>
DEDUCTIONS		
Community enrichment disbursements	19,429	24,536
Student activity disbursements	<u>227,576</u>	<u>72,340</u>
Total deductions	<u>247,005</u>	<u>96,876</u>
CHANGE IN NET POSITION	5,475	3,645
NET POSITION		
Beginning of year	<u>137,930</u>	<u>134,285</u>
End of year	<u>\$ 143,405</u>	<u>\$ 137,930</u>

See accompanying notes

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Springfield School District (the "**District**") operates three elementary schools, a middle school and a high school to provide education and related services to the residents in the District of Springfield and the Borough of Morton. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following major proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has two custodial funds consisting of funds held on behalf of the students and a community program.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	-	Discount period, 2% of gross levy
September 1 – October 31	-	Face period
November 1 to collection	-	Penalty period, 10% of gross levy
February 28	-	Lien date

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2021-2022 was 19.8495 mills (\$19.85 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	-	August 31
Installment Two	-	September 30
Installment Three	-	October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-40 years, and furniture and equipment – 5-15 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2022.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to whom the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of Estimates

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

Implementation of New Accounting Pronouncements

Effective July 1, 2021, the District adopted the provisions of GASB Statement No.87 "*Leases*", GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*"; GASB Statement No. 91, "*Conduit Debt Obligations*", and GASB Statement No. 92, "*Omnibus 2020*".

The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of Statement No. 87, the District recognized its right-to-use lease assets and corresponding liabilities for the year ended June 30, 2022.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles. The implementation of GASB Statement No. 89 had no impact on the financial statements of the District for the year ended June 30, 2022.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 had no impact on the District's financial statements for the year ended June 30, 2022.

GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

New Accounting Pronouncements

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices 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 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. 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.

(3) DEPOSITS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2022, the carrying amount of the District's deposits was \$34,053,778 and the bank balance was \$34,235,386. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$14,953,634 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net assets value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to independent annual audit. As of June 30, 2022, PSDLAF was rated as AAAM by a nationally recognized statistical rating agency.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(4) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,486,945	\$ -	\$ -	\$ 8,486,945
Construction in progress	<u>124,658</u>	<u>13,521,408</u>	<u>-</u>	<u>13,646,066</u>
Total capital assets not being depreciated	<u>8,611,603</u>	<u>13,521,408</u>	<u>-</u>	<u>22,133,011</u>
Capital assets being depreciated				
Land improvements	902,570	71,579	-	974,149
Buildings and improvements	181,136,197	58,476	-	181,194,673
Furniture and equipment	7,322,965	583,351	1,220,526	6,685,790
Right-to-use leased equipment	<u>266,969</u>	<u>-</u>	<u>-</u>	<u>266,969</u>
Total capital assets being depreciated	<u>189,628,701</u>	<u>713,406</u>	<u>1,220,526</u>	<u>189,121,581</u>
Less accumulated depreciation for				
Land improvements	(830,943)	(29,141)	-	(860,084)
Buildings and improvements	(60,529,864)	(4,224,467)	-	(64,754,331)
Furniture and equipment	(3,110,431)	(760,242)	(1,220,526)	(2,650,147)
Right-to-use leased equipment	<u>(199,908)</u>	<u>(53,394)</u>	<u>-</u>	<u>(253,302)</u>
Total accumulated depreciation	<u>(64,671,146)</u>	<u>(5,067,244)</u>	<u>(1,220,526)</u>	<u>(68,517,864)</u>
Total capital assets being depreciated, net	<u>124,957,555</u>	<u>(4,353,838)</u>	<u>-</u>	<u>120,603,717</u>
Governmental activities, net	<u>\$133,569,158</u>	<u>\$ 9,167,570</u>	<u>\$ -</u>	<u>\$142,736,728</u>
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 118,986	\$ -	\$ -	\$ 118,986
Total capital assets being depreciated	<u>118,986</u>	<u>-</u>	<u>-</u>	<u>118,986</u>
Less accumulated depreciation for				
Machinery and equipment	(77,069)	(5,900)	-	(82,969)
Total accumulated depreciation	<u>(77,069)</u>	<u>(5,900)</u>	<u>-</u>	<u>(82,969)</u>
Business-type activities, net	<u>\$ 41,917</u>	<u>\$ (5,900)</u>	<u>\$ -</u>	<u>\$ 36,017</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
Instruction	\$3,392,978
Instructional student support	436,728
Administrative and financial support services	553,160
Operation and maintenance of plant services	334,320
Pupil transportation	217,218
Student activities	<u>132,840</u>
Total depreciation expense – governmental activities	<u>\$5,067,244</u>
Business-type activities	
Food service	<u>\$ 5,900</u>

As of June 30, 2022, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2022 are as follows:

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

<u>Description</u>	<u>Project Amount</u>	<u>Through June 30, 2022</u>	<u>Completed Remaining Commitments</u>
Scenic Elementary School – HVAC	\$ 2,777,123	\$ 1,257,677	\$1,519,446
Sabold Elementary School – HVAC	175,242	138,995	36,247
ETR Middle School – HVAC	117,952	-	117,952
New maintenance building	140,109	140,109	-
Halderman field	2,985,289	2,864,057	121,232
Scenic Elementary School – athletic flooring	21,940	10,970	10,970
High School – fields and parking lots	<u>10,204,873</u>	<u>9,234,258</u>	<u>970,615</u>
	<u>\$16,422,528</u>	<u>\$13,646,066</u>	<u>\$2,776,462</u>

(5) INTERNAL RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	<u>\$383</u>	General Fund	<u>\$383</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses and state subsidies.

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$119,175,000	\$ -	\$ 3,660,000	\$115,515,000	\$1,430,000
Notes payable	14,185,000	-	760,000	13,425,000	3,500,000
Bond premiums	14,042,263	-	695,371	13,346,892	623,539
Bond discounts	<u>(107,877)</u>	<u>-</u>	<u>(4,904)</u>	<u>(102,973)</u>	<u>(4,903)</u>
Total general obligation debt	<u>147,294,386</u>	<u>-</u>	<u>5,110,467</u>	<u>142,183,919</u>	<u>5,548,636</u>
Other noncurrent liabilities					
Right-to-use leases	70,157	-	56,187	13,970	3,843
Financing leases	558,963	368,371	377,333	550,001	283,189
Early retirement incentive	189,021	-	71,032	117,989	65,800
Compensated absences	612,783	-	49,114	563,669	-
OPEB liability	6,077,165	488,727	5,074,587	1,491,305	-
Net OPEB liability – PSERS	4,859,408	553,862	-	5,413,270	-
Net pension liability – PSERS	<u>110,787,786</u>	<u>-</u>	<u>16,891,044</u>	<u>93,896,742</u>	<u>-</u>
Total other noncurrent liabilities	<u>123,155,283</u>	<u>1,410,960</u>	<u>22,519,297</u>	<u>102,046,946</u>	<u>352,832</u>
Total noncurrent Liabilities	<u>\$270,449,669</u>	<u>\$1,410,960</u>	<u>\$27,629,764</u>	<u>\$244,230,865</u>	<u>\$5,901,468</u>

Noncurrent liabilities are generally liquidated by the General Fund.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2015	2.00% - 3.75%	\$ 9,995,000	10/01/2042	\$ 430,000
Series of 2016	2.00% - 4.00%	\$ 7,410,000	09/01/2022	1,390,000
Series A of 2016	2.00% - 3.30%	\$ 9,765,000	03/01/2043	445,000
Series of 2017	2.00% - 3.55%	\$ 9,500,000	03/01/2043	9,480,000
Series of 2018	1.90% - 5.00%	\$40,000,000	03/01/2043	39,985,000
Series of 2019	3.00% - 5.00%	\$30,000,000	03/01/2043	29,990,000
Series A of 2020	2.00% - 5.00%	\$14,870,000	03/01/2043	14,865,000
Series of 2021	2.00%	\$ 9,635,000	10/01/2042	9,495,000
Series A of 2021	2.00% - 3.00%	\$ 9,440,000	03/01/2043	<u>9,435,000</u>
Total general obligation bonds				<u>115,515,000</u>
General obligation notes				
Series of 2020	0.83%	\$15,030,000	10/01/2024	<u>13,425,000</u>
Total general obligation debt				<u>\$128,940,000</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 4,930,000	\$ 4,743,246	\$ 9,673,246
2024	4,980,000	4,693,368	9,673,368
2025	5,025,000	4,651,220	9,676,220
2026	4,405,000	4,624,441	9,029,441
2027	4,585,000	4,441,500	9,026,500
2028-2032	25,955,000	19,182,925	45,137,925
2033-2037	31,750,000	13,376,245	45,126,245
2038-2042	38,630,000	6,500,430	45,130,430
2043	<u>8,680,000</u>	<u>344,418</u>	<u>9,024,418</u>
	<u>\$128,940,000</u>	<u>\$62,557,793</u>	<u>\$191,497,793</u>

(8) RIGHT-TO-USE LEASES

The District entered into long-term lease agreements for the use of copier and mail equipment. Initial lease liabilities were recorded in the amount of \$266,969. As of June 30, 2022, the value of the lease liabilities is \$13,970. The District was required to make annual fixed payments of \$70,157. The leases have imputed interest rates of 3.00%. The equipment's estimated useful lives are 5 years as of their contract commencements. The value of the right-to-use assets as of June 30, 2022 is \$13,667, net of accumulated amortization of \$253,302, and is included with noncurrent assets on the statement of net position. Future minimum lease payments under these leases are as follows:

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Year ending June 30,

2023	\$ 4,220
2024	4,220
2025	4,220
2026	2,109
Less: amount representing interest	<u>(799)</u>
Present value of minimum lease payments	<u>\$13,970</u>

(9) FINANCING LEASES

The District has entered into long-term lease agreements for computer equipment. Initial lease liabilities were recorded in the amount of \$1,513,164. As of June 30, 2022, the value of the lease liabilities is \$550,001. The leases have rate factors ranging from 2.66% to 2.68%. The computer equipment's estimated useful lives were 4 years as of their contract commencements. The value of the capital assets as of June 30, 2022 is \$553,543, net of accumulated depreciation of \$959,621, and is included with noncurrent assets on the statement of net position. Future minimum lease payments under these leases are as follows:

Year ending June 30,

2023	\$309,040
2024	185,130
2025	98,035
Less: amount representing interest	<u>(42,204)</u>
Present value of minimum lease payments	<u>\$550,001</u>

(10) EARLY RETIREMENT INCENTIVE PLAN

The District from time to time offers additional retirement incentives known as early retirement incentive plans ("**ERIP**") to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. An ERIP is formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a District sponsored ERIP, the District must first decide whether or not to offer an ERIP in the year the employee is retiring and a specified minimum number of employees must opt into the ERIP. The District's ERIP plan provides for the payment of a specific dollar amount to be applied toward participating retiree healthcare premiums for a specified number of years.

The District's liability for its ERIP plans has been reported at the discounted present value of expected future benefit payments in the government-wide financial statements. For the year ended June 30, 2022, 8 retirees received benefits under the District's ERIP plans and the District paid \$25,007 in ERIP benefits to retirees.

As of June 30, 2022, the District had two ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2022 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Present Value of ERIP Benefits</u>
July 1, 2007	9	64,299
July 1, 2016	<u>1</u>	<u>53,690</u>
	<u>10</u>	<u>\$117,989</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(11) PENSION PLAN

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.

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 PSERS include all full-time public 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 credited service; (b) age 60 with 30 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 membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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 \$11,432,599 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$93,896,742 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's proportion was 0.2287 percent, which was an increase of 0.0037 percent from its proportion measured as of June 30, 2020.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 69,000	\$ 1,234,000
Changes in assumptions	4,554,000	-
Net difference between projected and actual investment earnings	-	14,947,000
Changes in proportions	2,052,000	602,000
Contributions subsequent to the measurement date	<u>11,432,599</u>	<u>-</u>
	<u>\$18,107,599</u>	<u>\$16,783,000</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

\$11,432,599 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2023	\$ (2,886,000)
2024	(1,020,000)
2025	(1,372,000)
2026	<u>(4,830,000)</u>
	<u><u>\$(10,108,000)</u></u>

Actuarial Assumptions

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

- Valuation date – June 30, 2020
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

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

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

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.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

Discount Rate

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

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

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

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$123,242,901</u>	<u>\$93,896,742</u>	<u>\$69,141,805</u>

Pension Plan Fiduciary Net Position

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

(12) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2021:

Active participants	458
Retired participants	16
Vested former participants	<u>-</u>
Total	<u>474</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, and by rolling forward the liabilities from the July 1, 2021 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$1,491,305, all of which is unfunded.

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

Balances as of July 1, 2021	<u>\$ 6,077,165</u>
Changes for the year:	
Service cost	276,413
Interest on total OPEB liability	212,314
Differences between expected and actual experience	(4,333,830)
Changes of assumptions	(442,261)
Benefit payments	<u>(298,496)</u>
Net changes	<u>(4,585,860)</u>
Balances as of June 30, 2022	<u>\$ 1,491,305</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$324,399. At June 30, 2022, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$4,526,112
Changes of assumptions	1,757,695	412,777
Benefit payments subsequent to measurement date	<u>58,500</u>	<u>-</u>
	<u>\$1,816,195</u>	<u>\$4,938,889</u>

\$58,500 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Year ended June 30,

2023	\$ (164,328)
2024	(164,328)
2025	(164,328)
2026	(164,328)
2027	(164,328)
Thereafter	<u>(2,359,554)</u>
	<u>\$ (3,181,194)</u>

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

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$1,306,667</u>	<u>\$1,491,305</u>	<u>\$1,713,771</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.28%) or 1 percentage point higher (3.28%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.28%</u>	<u>2.28%</u>	<u>3.28%</u>
OPEB Liability	<u>\$1,606,717</u>	<u>\$1,491,305</u>	<u>\$1,381,680</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 2.28% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 3.50% to 2.28%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2021 through 2023 and gradual decrease from 5.40% in 2024 to 4.00% in 2075.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

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

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

Benefits Provided

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$267,889 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$5,413,270 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.2284 percent, which was an increase of 0.0035 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$346,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 50,000	\$ -
Changes in assumptions	576,000	72,000
Net difference between projected and actual investment earnings	11,000	-
Changes in proportions	144,000	62,000
Contributions subsequent to the measurement date	<u>267,899</u>	<u>-</u>
	<u>\$1,048,899</u>	<u>\$134,000</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

\$267,899 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2023	\$109,000
2024	108,000
2025	133,000
2026	109,000
2027	106,000
Thereafter	<u>82,000</u>
	<u>\$647,000</u>

Actuarial Assumptions

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

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 2.18% – Standard & Poors 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 Improvement Scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short-term assets designed to protect the principal of the OPEB 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.

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.80%	0.10 %
US Core Fixed Income	17.50%	0.70 %
Non-US Developed Fixed	<u>2.70%</u>	(0.30)%
	<u>100.00%</u>	

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

Discount Rate

The discount rate used to measure the OPEB liability was 2.18%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the Standard & Poors 20-year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2021, retirees' health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$5,412,655</u>	<u>\$5,413,270</u>	<u>\$5,413,754</u>

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

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

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

	<u>1% Decrease</u> <u>1.18%</u>	<u>Current Discount Rate</u> <u>2.18%</u>	<u>1% Increase</u> <u>3.18%</u>
District's proportionate share of the net OPEB liability	<u>\$6,212,402</u>	<u>\$5,413,270</u>	<u>\$4,755,064</u>

OPEB Plan Fiduciary Net Position

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

(13) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2021-2022 was \$769,986.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring, holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. During 2021-2022, the District did not have any financial transactions with the DCVTSA.

Both the DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue Morton, Pennsylvania 19070.

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2034-2035 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2021-2022 was \$751,653.

The DCCC prepares financial statements that are available to the public from their administrative offices located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District's future annual lease payments to the DCCC are as follows:

<u>Year ending June 30,</u>	
2023	\$ 136,637
2024	126,306
2025	126,177
2026	126,194
2027	126,135
2028-2032	631,111
2033-2035	<u>190,361</u>
	<u>\$1,462,921</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the "DCIU"). The DCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

(14) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(15) RISK MANAGEMENT

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. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District participates in a consortium with other participating school districts and educational agencies from Delaware County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. Since the District has not transferred its risk to the other participants in the consortium, GASB requires that it recognize and measure its claims, liabilities and related expenses. The District accounts for its participation in the consortium in the General Fund in the accompanying financial statements.

The following table presents the components of the self-insurance claims surplus (liability) and the related changes in the claims surplus (liability) for the year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Insurance claims liability – beginning of year	\$ 2,787,180	\$ 1,088,154
Current year insurance claims and changes in estimates	(10,711,579)	(7,046,730)
Insurance claims and fees paid	<u>9,893,503</u>	<u>8,745,756</u>
Insurance claims liability – end of year	<u>\$ 1,969,104</u>	<u>\$ 2,787,180</u>

SPRINGFIELD SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(16) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 87, the District made a prior period adjustment to record its right-to use assets and lease liabilities related to lessee agreements. This prior period adjustment and its effect on net position at July 1, 2021 are summarized in the following table:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Net position (deficit) at June 30, 2021, as previously stated	\$(79,070,488)	\$153,947	\$(78,916,541)
Prior period adjustment to			
Record right-to-use leases	(70,157)	-	(70,157)
Record right-to-use capital assets	<u>67,061</u>	<u>-</u>	<u>67,061</u>
Net position (deficit) at June 30, 2021, as restated	<u>\$(79,073,584)</u>	<u>\$153,947</u>	<u>\$(78,919,637)</u>

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2022 the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SPRINGFIELD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$64,205,636	\$64,205,637	\$64,710,601	\$ 504,964
State sources	14,882,207	14,882,207	15,267,845	385,638
Federal sources	1,514,260	1,514,259	1,814,568	300,309
Total revenues	<u>80,602,103</u>	<u>80,602,103</u>	<u>81,793,014</u>	<u>1,190,911</u>
EXPENDITURES				
Instruction				
Regular programs	33,878,087	34,067,466	34,470,222	(402,756)
Special programs	13,699,297	13,699,297	12,928,352	770,945
Vocational programs	777,660	777,660	769,986	7,674
Other instructional programs	282,088	282,088	308,313	(26,225)
Nonpublic school programs	6,817	6,817	1,141	5,676
Adult education programs	597,532	597,532	597,532	-
Higher education programs	15,000	15,000	11,025	3,975
Total instruction	<u>49,256,481</u>	<u>49,445,859</u>	<u>49,086,571</u>	<u>359,288</u>
Support services				
Pupil support services	3,986,180	3,986,180	3,896,888	89,292
Instructional staff services	1,720,630	1,756,589	1,562,685	193,904
Administrative services	4,715,121	4,722,870	4,729,675	(6,805)
Pupil health	781,316	781,315	853,623	(72,308)
Business services	836,260	836,260	861,884	(25,624)
Operation and maintenance of plant services	5,134,991	5,134,992	5,266,216	(131,224)
Student transportation services	3,266,800	3,266,800	3,140,027	126,773
Support services - central	2,595,984	2,595,983	2,617,231	(21,248)
Other support services	6,566	6,566	65,923	(59,357)
Total support services	<u>23,043,848</u>	<u>23,087,555</u>	<u>22,994,152</u>	<u>93,403</u>
Operation of noninstructional services				
Student activities	1,520,511	1,793,495	1,920,296	(126,801)
Community services	55,000	55,000	68,636	(13,636)
Total operation of noninstructional services	<u>1,575,511</u>	<u>1,848,495</u>	<u>1,988,932</u>	<u>(140,437)</u>
Debt service	<u>9,354,783</u>	<u>9,354,783</u>	<u>9,350,559</u>	<u>4,224</u>
Total expenditures	<u>83,230,623</u>	<u>83,736,692</u>	<u>83,420,214</u>	<u>316,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,628,520)</u>	<u>(3,134,589)</u>	<u>(1,627,200)</u>	<u>1,507,389</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	-	-	7,849	7,849
Refund of prior year receipts	-	-	4,057	4,057
Transfers out	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>11,906</u>	<u>61,906</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,678,520)</u>	<u>\$ (3,184,589)</u>	<u>(1,615,294)</u>	<u>\$ 1,569,295</u>
FUND BALANCE				
Beginning of year			7,764,837	
End of year			<u>\$ 6,149,543</u>	

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	Measurement Date							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2287%	0.2250%	0.2220%	0.2271%	0.2254%	0.2218%	0.2189%	0.2278%
District's proportionate share of the net pension liability	\$ 93,896,742	\$ 110,787,786	\$ 103,857,390	\$ 109,019,000	\$ 111,321,000	\$ 109,917,000	\$ 94,817,000	\$ 90,165,000
District's covered-employee payroll	\$ 32,375,678	\$ 31,568,243	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497	\$ 28,731,573	\$ 28,167,194	\$ 29,069,946
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.02%	350.95%	339.27%	356.52%	370.96%	382.57%	336.62%	310.17%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date							
	<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	\$ 10,870,159	\$ 10,510,649	\$ 9,941,684	\$ 9,637,000	\$ 8,621,000	\$ 7,056,000	\$ 5,652,000	\$ 4,538,000
Contributions in relation to the contractually required contribution	<u>10,870,159</u>	<u>10,510,649</u>	<u>9,952,146</u>	<u>9,631,836</u>	<u>8,649,393</u>	<u>7,068,467</u>	<u>5,666,997</u>	<u>4,543,258</u>
Contribution deficiency (excess)	-	-	(10,462)	5,164	(28,393)	(12,467)	(14,997)	(5,258)
District's covered-employee payroll	\$ 32,375,678	\$ 31,568,243	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497	\$ 28,731,573	\$ 28,167,194	\$ 29,069,946
Contributions as a percentage of covered-employee payroll	33.58%	33.30%	32.51%	31.50%	28.82%	24.60%	20.12%	15.63%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 276,413	\$ 283,572	\$ 234,195	\$ 244,055	\$ 216,112
Interest on total OPEB liability	212,314	206,179	147,275	144,108	157,544
Differences between expected and actual experience	(4,333,830)	-	(446,522)	-	(177,997)
Changes of assumptions	(442,261)	-	1,329,293	-	1,026,282
Benefit payments	<u>(298,496)</u>	<u>(323,253)</u>	<u>(291,288)</u>	<u>(264,027)</u>	<u>(261,682)</u>
Net change in total OPEB liability	(4,585,860)	166,498	972,953	124,136	960,259
Total OPEB liability, beginning	<u>6,077,165</u>	<u>5,910,667</u>	<u>4,937,714</u>	<u>4,813,578</u>	<u>3,853,319</u>
Total OPEB liability, ending	<u>\$ 1,491,305</u>	<u>\$ 6,077,165</u>	<u>\$ 5,910,667</u>	<u>\$ 4,937,714</u>	<u>\$ 4,813,578</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 31,442,887	\$ 29,793,018	\$ 29,066,359	\$ 27,766,387	\$ 27,089,158
Net OPEB liability as a % of covered payroll	4.74%	20.40%	20.34%	17.78%	17.77%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.2284%	0.2249%	0.2220%	0.2271%	0.2254%
District's proportionate share of the net OPEB liability	\$ 5,413,270	\$ 4,859,408	\$ 4,721,589	\$ 4,735,000	\$ 4,592,000
District's covered-employee payroll	\$ 32,375,678	\$ 31,568,243	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentae of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 265,778	\$ 264,759	\$ 254,348	\$ 254,000	\$ 249,000
Contributions in relation to the contractually required contribution	<u>265,778</u>	<u>264,034</u>	<u>253,383</u>	<u>251,872</u>	<u>245,856</u>
Contribution deficiency (excess)	\$ -	\$ 725	\$ 965	\$ 2,128	\$ 3,144
District's covered-employee payroll	\$ 32,375,678	\$ 31,568,243	\$ 30,612,248	\$ 30,578,266	\$ 30,008,497
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

COMBINING AND INDIVIDUAL FUND FINANICAL STATEMENTS

SPRINGFIELD SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 7,044,921</u>	<u>\$ 16,458,902</u>	<u>\$ 23,503,823</u>
Total assets	<u>\$ 7,044,921</u>	<u>\$ 16,458,902</u>	<u>\$ 23,503,823</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	<u>\$ 41,802</u>	<u>\$ 1,278,068</u>	<u>\$ 1,319,870</u>
FUND BALANCES			
Restricted for			
Capital projects	<u>7,003,119</u>	<u>15,180,834</u>	<u>22,183,953</u>
Total fund balances	<u>7,003,119</u>	<u>15,180,834</u>	<u>22,183,953</u>
Total liabilities and fund balances	<u>\$ 7,044,921</u>	<u>\$ 16,458,902</u>	<u>\$ 23,503,823</u>

SPRINGFIELD SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND**

Year ended June 30, 2022

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
Local sources	\$ 24,047	\$ 697,768	\$ 721,815
EXPENDITURES			
Support services	-	1,596	1,596
Facilities acquisition, construction and improvement services	136,853	13,877,213	14,014,066
Total expenditures	<u>136,853</u>	<u>13,878,809</u>	<u>14,015,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(112,806)</u>	<u>(13,181,041)</u>	<u>(13,293,847)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from extended term financing	-	368,371	368,371
Total other financing sources (uses)	<u>-</u>	<u>368,371</u>	<u>368,371</u>
NET CHANGE IN FUND BALANCES	(112,806)	(12,812,670)	(12,925,476)
FUND BALANCES			
Beginning of year	<u>7,115,925</u>	<u>27,993,504</u>	<u>35,109,429</u>
End of year	<u>\$ 7,003,119</u>	<u>\$ 15,180,834</u>	<u>\$ 22,183,953</u>

SINGLE AUDIT

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-210415	07/01/20 - 09/30/21	\$ 138,254	\$ 49,222	\$ 46,927	\$ 2,295	\$ 2,295	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-220415	07/01/21 - 09/30/22	172,700	121,322	-	144,763	144,763	23,441	-
Total CFDA #84.010						170,544	46,927	147,058	147,058	23,441	-
Title II - Improving Teacher Quality	I	84.367	020-210415	07/01/20 - 09/30/21	61,626	8,770	8,770	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-220415	07/01/21 - 09/30/22	70,736	69,552	-	70,736	70,736	1,184	-
Total CFDA #84.367						78,322	8,770	70,736	70,736	1,184	-
Title III - Language Instruction for English Learners	I	84.365	010-210145	07/01/20 - 09/30/21	15,247	8,713	826	7,887	7,887	-	-
Title III - Language Instruction for English Learners	I	84.365	010-220145	07/01/21 - 09/30/22	17,148	10,922	-	17,148	17,148	6,226	-
Total CFDA #84.365						19,635	826	25,035	25,035	6,226	-
Title IV - Student Support and Academic Enrichmen	I	84.424	144-210415	08/10/20 - 09/30/21	11,832	1,690	1,690	-	-	-	-
Title IV - Student Support and Academic Enrichmen	I	84.424	144-220415	08/10/21 - 09/30/22	10,397	10,391	-	10,397	10,397	6	-
Total CFDA #84.424						12,081	1,690	10,397	10,397	6	-
CARES Act - ESSER Fund Local	I	84.425D	200-210415	03/13/21 - 09/30/24	510,528	344,271	(35,680)	480,313	480,313	100,362	-
COVID-19 SECIM	I	84.425C	252-200415	03/13/21 - 09/30/22	52,272	38,516	10,490	28,026	28,026	-	-
ARP ESSER (8744)	I	84.425U	223-210415	03/13/21 - 09/30/24	1,032,651	75,102	-	46,787	46,787	(28,315)	-
ARP ESSER 7%	I	84.425U	225-210415	03/13/21 - 09/30/24	80,261	20,431	-	33,251	33,251	12,820	-
ARP ESSER (8754 - Homeless)	I	84.425W	181-212413	03/13/21 - 09/30/24	8,378	430	-	430	430	-	-
Total CFDA #84.425						478,750	(25,190)	588,807	588,807	84,867	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
Passed Through the Delaware County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/21-06/30/22	769,321	583,643	-	769,321	769,321	185,678	-
SPED - CIE	I	84.027	062-210032	07/01/21-08/15/22	30,000	30,000	-	30,000	30,000	-	-
ARP ESSER - IDEA	I	84.027X	H027X2100963	07/01/21-06/30/22	168,783	168,783	-	168,783	168,783	-	-
Total CFDA #84.027						782,426	-	968,104	968,104	185,678	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/21-06/30/22	4,431	4,431	-	4,431	4,431	-	-
Total U.S. Department of Education						1,546,189	33,023	1,814,568	1,814,568	301,402	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	6,414	6,414	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/21 - 06/30/22	N/A	41,038	-	42,593	42,593	1,555	-
Total State Matching						47,452	6,414	42,593	42,593	1,555	-
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	I	10.649	N/A	07/1/2021-6/30/22	N/A	614	-	614	614	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	39,195	39,195	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	70,891	-	73,071	73,071	2,180	-
Total CFDA #10.553						110,086	39,195	73,071	73,071	2,180	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	134,157	134,157	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	1,619,912	-	1,680,525	1,680,525	60,613	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	81,839	-	81,839	81,839	-	-
Total CFDA #10.555						1,835,908	134,157	1,762,364	1,762,364	60,613	-
Total U.S. Department of Agriculture						1,994,060	179,766	1,878,642	1,878,642	64,348	-
Total Federal Awards and Certain State Grants						\$ 3,540,249	\$ 212,789	\$ 3,693,210	\$3,693,210	\$ 365,750	\$ -

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
Total Federal Awards						\$ 3,492,797	\$ 206,375	\$ 3,650,617	\$3,650,617	\$ 364,195	\$ -
Total State Awards						<u>47,452</u>	<u>6,414</u>	<u>42,593</u>	<u>42,593</u>	<u>1,555</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 3,540,249</u>	<u>\$ 212,789</u>	<u>\$ 3,693,210</u>	<u>\$3,693,210</u>	<u>\$ 365,750</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 786,857</u>	<u>\$ -</u>	<u>\$ 972,535</u>	<u>\$ 972,535</u>	<u>\$ 185,678</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553 and #10.555)						<u>\$ 1,945,994</u>	<u>\$ 173,352</u>	<u>\$ 1,835,435</u>	<u>\$1,835,435</u>	<u>\$ 62,793</u>	<u>\$ -</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Share

SPRINGFIELD SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2022

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under ALN #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2021-2022 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$0.

(5) INDIRECT COSTS

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

SPRINGFIELD SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

There were no audit findings for the year ended June 30, 2021.



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

**Board of School Directors
Springfield School District
Springfield, 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, each major fund, and the aggregate remaining fund information of Springfield School District, Springfield, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Springfield School District's basic financial statements, and have issued our report thereon dated October 24, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
October 24, 2022**



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

**Board of School Directors
Springfield School District
Springfield, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Springfield 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 Springfield 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 Springfield School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Springfield 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 Springfield 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 Springfield 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 Springfield 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 Springfield 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

BBD, LLP

**Philadelphia, Pennsylvania
October 24, 2022**

SPRINGFIELD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Springfield School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Springfield School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Springfield School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Springfield School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
 - Child Nutrition Cluster:
 - School Breakfast Program – ALN Number 10.553
 - National School Lunch Program – ALN Number 10.555
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Springfield School District was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None