

**LINE MOUNTAIN SCHOOL DISTRICT**  
Herndon, Pennsylvania  
A.U.N. No. 1-16-49-350-3  
Financial Statements  
For the Year Ended June 30, 2023

# LINE MOUNTAIN SCHOOL DISTRICT

June 30, 2023

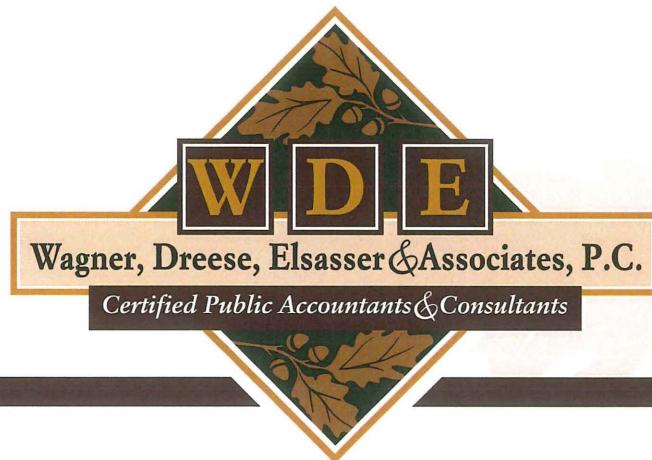
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June 30, 2023

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**Wagner, Dreese, Elsasser & Associates, P.C.**

*Certified Public Accountants & Consultants*

## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Line Mountain School District  
Herndon, PA

### Report on the Audit of the Financial Statements

#### *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 Line Mountain School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Line Mountain 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 Line Mountain School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Line Mountain 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 Line Mountain School District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 to 19, the Schedule of District's Proportionate Share of the Net Pension Liability, the Schedule of District's Contributions-Pension Plan, the Schedule of Changes in Net OPEB Liability and Related Ratios-Single Employer Plan, the Schedule of District's Proportionate Share of the Net OPEB Liability-Cost Sharing Plan, and the Schedule of District's OPEB Contributions-Cost Sharing Plan on pages 69 through 73 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 Line Mountain School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of Line Mountain 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 Line Mountain 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 Line Mountain School District's internal control over financial reporting and compliance.



**WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.**

*Certified Public Accountants & Consultants*

Selinsgrove, PA

December 19, 2025

**LINE MOUNTAIN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Our discussion and analysis of the Line Mountain School District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements which follow this section.

The Management Discussion & Analysis (MD&A) is Required Supplementary Information as specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2022 – 2023) and the prior year (2021 – 2022) is required to be presented in the MD&A.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts, Management's Discussion and Analysis, the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates as a business, such as food service.
- The Basic Financial Statements also include Notes to Financial Statements, which explain some of the information in the statements and provides additional details.

## LINE MOUNTAIN SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION & ANALYSIS – continued FOR THE YEAR ENDED JUNE 30, 2023

#### District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods that are similar to private-sector companies. The Statement of Net Position includes assets and liabilities. All of the current year's revenues and expenses are included in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report net position and how it has changed. Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources.

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

- Governmental activities – Basic services are included here, such as regular education, special education, transportation, and administration.
- Business-type activities – Fees are charged to help cover the costs of certain services. The District's food service is included here.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and not the District as a whole. A fund is a fiscal and accounting entity, with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, or changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each fund must be so accounted for that the identity of its resources, obligations, revenues, expenditures, and fund equities is continually maintained.

**LINE MOUNTAIN SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION & ANALYSIS – continued**

**FOR THE YEAR ENDED JUNE 30, 2023**

The Line Mountain School District has two types of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on cash flows and year-end balances. These statements provide a detailed short-term view that helps to determine the available resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, we provide additional information with the governmental funds statements to explain the relationships between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported the same way as the district-wide financial statements.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued  
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position – Combined net position was (\$1,752,808) on June 30, 2023. See Table A-1.

**Table A-1**  
Line Mountain School District  
Net Assets as of June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		District Totals	
	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)	2023
Current and other assets	\$12,478,762	\$13,436,102	\$565,042	\$649,648	\$13,043,804	\$14,085,750
Capital assets	27,701,877	27,368,597	129,302	114,054	27,831,179	27,482,651
Total Assets	\$40,180,639	\$40,804,699	\$694,344	\$763,702	\$40,874,983	\$41,568,401
Deferred Outflows of Resources	3,538,002	4,040,076	69,771	80,220	3,607,773	4,120,296
Current liabilities	3,031,843	3,493,136	34,684	35,178	3,066,527	3,528,314
Non-current liabilities	42,208,540	42,113,982	468,169	497,132	42,676,709	42,611,114
Total Liabilities	\$45,240,383	\$45,607,118	\$502,853	\$532,310	\$45,743,236	\$46,139,428
Deferred Inflows of Resources	3,264,759	1,268,418	76,365	33,659	3,341,124	1,302,077
Invested in capital assets, net of related debt	7,632,796	8,667,392	129,302	114,054	7,762,098	8,781,446
Restricted net assets	81,612	98,065	0	0	81,612	98,065
Unrestricted net assets	(12,500,909)	(10,796,218)	55,595	163,899	(12,445,314)	(10,632,319)
Total Net Position	(\$4,786,501)	(\$2,030,761)	\$184,897	\$277,953	(\$4,601,604)	(\$1,752,808)

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued  
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - continued

**Total Net Position** – increased by \$2,848,796 for year ending June 30, 2023. See Table A-2

**Table A-2**  
Line Mountain School District  
Change in Net Assets  
Fiscal Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		District Totals	
	2022 (Restated)	2023	2022 (Restated)	2023	2022 (Restated)	2023
Revenues						
Program Revenues						
Charges for services	\$24,704	\$35,506	\$107,107	\$245,183	\$131,811	\$280,689
Operating grants & contributions	6,925,754	6,677,141	915,534	560,616	7,841,288	7,237,757
Capital grants & contributions	0	0	0	0	0	0
General Revenues						
Property taxes	6,323,915	6,104,437	0	0	6,323,915	6,104,437
Other taxes	2,667,515	2,448,325	0	0	2,667,515	2,448,325
State formula aide	6,971,694	7,867,035	0	0	6,971,694	7,867,035
Investment earnings	92,874	292,423	1,762	2,866	94,636	295,289
Other	56,942	14,323	34	236	56,976	14,559
<b>Total Revenues</b>	<b>\$23,063,398</b>	<b>\$23,439,190</b>	<b>\$1,024,437</b>	<b>\$808,901</b>	<b>\$24,087,835</b>	<b>\$24,248,091</b>
Expenses						
Instruction	11,007,825	11,973,753	0	0	11,007,825	11,973,753
Instructional student support	1,524,728	1,359,817	0	0	1,524,728	1,359,817
Administration	2,162,206	2,232,166	0	0	2,162,206	2,232,166
Operation & maintenance of facilities	1,869,444	1,882,861	0	0	1,869,444	1,882,861
Pupil transportation	2,023,783	2,110,513	0	0	2,023,783	2,110,513
Student activities	586,272	656,293	0	0	586,272	656,293
Scholarships & Awards	7,278	5,986	0	0	7,278	5,986
Interest on long-term debt	509,031	462,061	0	0	509,031	462,061
Food service	0	0	628,617	715,845	628,617	715,845
<b>Total Expenses</b>	<b>\$19,690,567</b>	<b>\$20,683,450</b>	<b>\$628,617</b>	<b>\$715,845</b>	<b>\$20,319,184</b>	<b>\$21,399,295</b>
<b>Increase in Net Assets</b>	<b>\$3,372,831</b>	<b>\$2,755,740</b>	<b>\$395,820</b>	<b>\$93,056</b>	<b>\$3,768,651</b>	<b>\$2,848,796</b>

## LINE MOUNTAIN SCHOOL DISTRICT

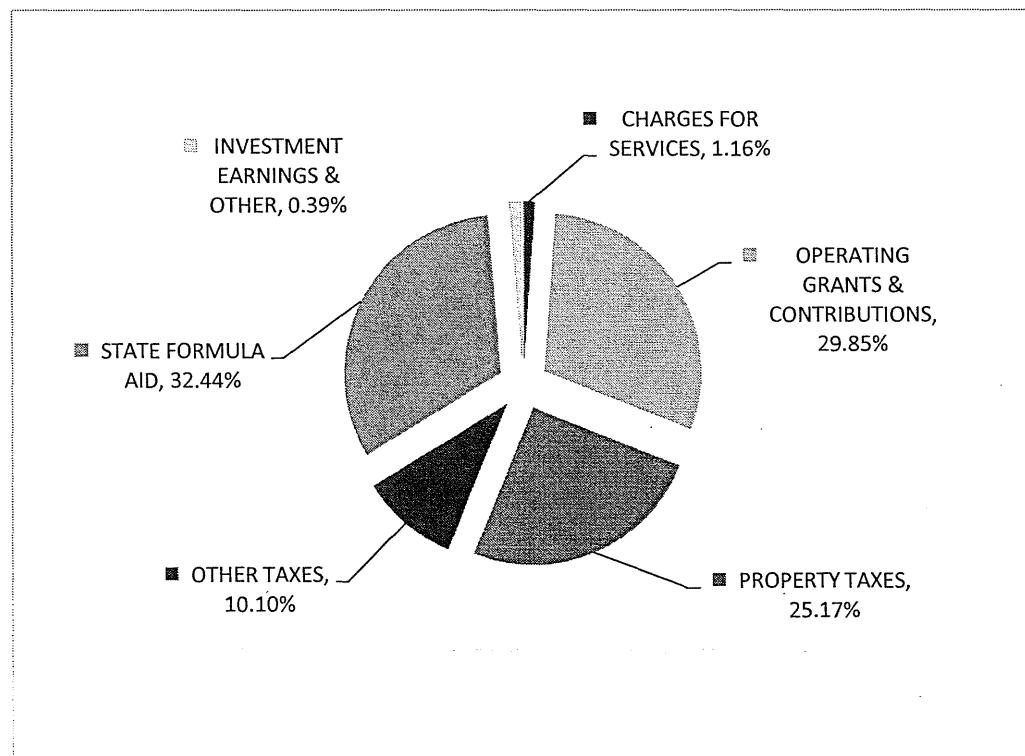
### MANAGEMENT'S DISCUSSION & ANALYSIS – continued FOR THE YEAR ENDED JUNE 30, 2023

#### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - continued

**Revenues** – The District's total revenues were \$24,248,091 for the year ended June 30, 2023. See Table A-2. Taxes and State Formula Aid made up 67.72% of total revenue for the year. Another 29.85% came from state and federal aid for specific programs (operating and capital grants) and the remainder from fees charged for services as well as other sources. See Figure A-1.

- Users of District programs paid \$280,689
- The federal and state governments subsidized certain programs with grants and contributions totaling \$7,237,757
- District taxpayers paid \$8,552,762
- State taxpayers paid \$7,867,035
- Investment earnings were \$295,289
- Other revenue totaled \$14,559

Figure A-1  
Sources of Revenue for Fiscal Year 2022 – 2023



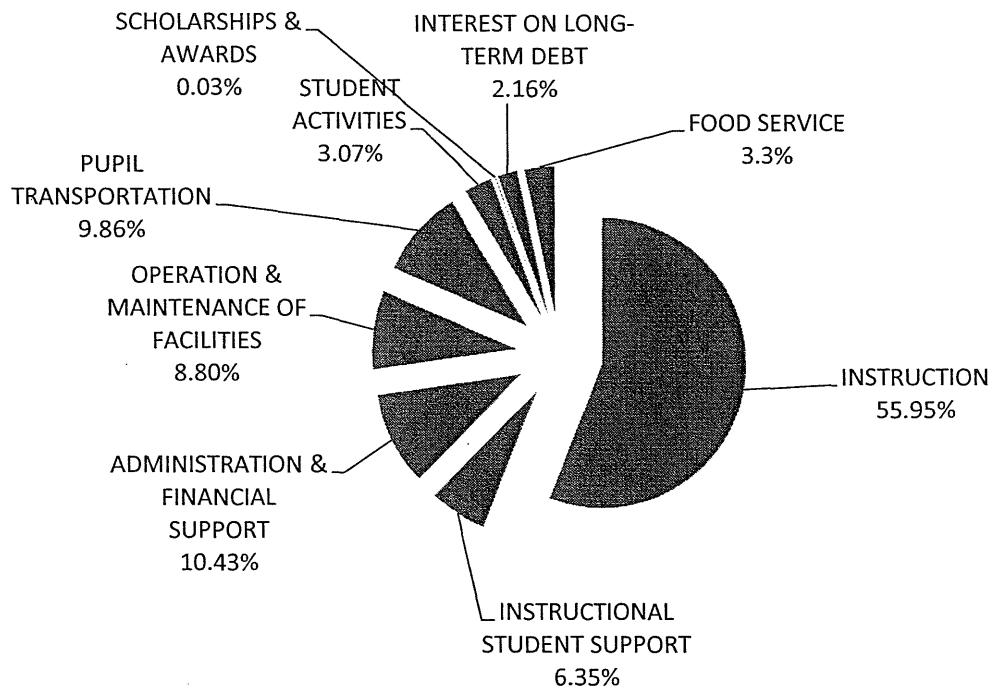
## LINE MOUNTAIN SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION & ANALYSIS – continued FOR THE YEAR ENDED JUNE 30, 2023

**Expenditures** - The total cost of all programs and services was \$21,399,295. Instruction related expenses (Instruction, Instructional student support, Pupil transportation, Scholarships and awards, and Student activities) accounted for 75.27% of the expenses. The remainder of the expenses were Administrative costs of 10.43%, Operation of facilities of 8.80%, Food service of 3.35%, and Other costs at 2.16%.

- Instruction related expenses were \$16,106,362.
- Administration and financial support expenses were \$2,232,166.
- The cost of operating and maintaining the facilities was \$1,882,861.
- Food service operations cost \$715,845.
- Interest on long-term debt obligations was \$462,061.

Figure A-2  
Expenditures for Fiscal Year 2022 – 2023



**LINE MOUNTAIN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS – continued**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2022 (restated)	2023		2022 (restated)	2023	
Instruction	\$11,007,825	\$11,973,753	8.77%	\$6,464,240	\$8,137,865	25.89%
Instructional student support	1,524,728	1,359,817	-10.82%	1,361,120	1,169,397	-14.09%
Administrative & financial support	2,162,206	2,232,166	3.24%	1,975,607	1,996,845	1.08%
Operation & maintenance of facilities	1,869,444	1,882,861	0.72%	1,677,781	1,097,104	-34.61%
Pupil transportation	2,023,783	2,110,513	4.29%	294,018	640,591	117.87%
Student activities	586,272	656,293	11.94%	553,018	467,672	-15.43%
Scholarships & Awards	7,278	5,986	-17.75%	(94,706)	(732)	100.00%
Interest on long-term debt	509,031	462,061	-9.23%	509,031	462,061	-9.23%
Food service	628,617	715,845	13.88%	(394,024)	(89,954)	-77.17%
<b>Total expenses</b>	<b>\$20,319,184</b>	<b>\$21,399,295</b>	<b>5.32%</b>	<b>\$12,346,085</b>	<b>\$13,880,849</b>	<b>12.43%</b>

The District's governmental funds reported a combined fund balance of \$10,729,770 which is a net increase of \$466,291 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2022 and June 30, 2023.

**LINE MOUNTAIN SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**

	(Restated) Year Ended June 30, 2022	Year Ended June 30, 2023	Increase (Decrease)	Percent of Change
General Fund Non-spendable	\$ 129,771	\$ 136,445	\$ 6,674	5.14%
General Fund Restricted	-	-	-	0.00%
General Fund Committed	4,191,337	4,027,292	(164,045)	-3.91%
General Fund Unreserved	4,903,615	5,577,190	673,575	13.74%
Capital Improvements Assigned	957,144	890,778	(66,366)	-6.93%
Other Governmental Funds Restricted	81,612	98,065	16,453	20.16%
<b>Total Governmental Funds</b>	<b>\$ 10,263,479</b>	<b>\$ 10,729,770</b>	<b>\$ 466,291</b>	<b>4.35%</b>

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued  
FOR THE YEAR ENDED JUNE 30, 2023

**GENERAL FUND**

The following schedule provides a summary of General Fund revenues and Other Finance Sources.

	(Restated) Year Ended June 30, 2022	Year Ended June 30, 2023	Increase (Decrease)	Percent of Change
Local sources				
Taxes	\$8,630,414	\$8,457,181	(\$173,233)	-2.01%
Interest	89,954	253,619	163,665	181.94%
Other	320,025	244,393	(75,632)	-23.63%
State sources	11,760,888	12,175,930	415,042	3.53%
Federal sources	2,033,312	2,034,737	1,425	0.07%
Total Revenue	22,834,593	23,165,860	331,267	1.45%
Other sources-net	156,960	0	(156,960)	-100.00%
Total Revenue and Other Sources	\$22,991,553	\$23,165,860	\$174,307	0.76%

Total General Fund revenue increased by \$174,307 or 0.76% from the previous year. Tax collections decreased \$173,233 – decrease of 2.01% from the previous year. Interest income increased by \$163,665. Other, decreased by \$75,632. State sources increased by \$415,042.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued  
FOR THE YEAR ENDED JUNE 30, 2023

**GENERAL FUND – continued**

The following schedule provides a summary of General Fund expenditures.

	Year Ended June 30, 2022	Year Ended June 30, 2023	Increase (Decrease)	Percent of Change
Salaries	\$7,887,756	\$8,045,999	158,243	2.01%
Employee benefits	5,508,439	5,867,667	359,228	6.52%
Purchased services	4,782,656	5,293,050	510,394	10.67%
Supplies	1,360,086	1,499,742	139,656	10.27%
Property	120,034	96,729	(23,305)	-19.42%
Bond Principal and Interest	1,833,059	1,846,234	13,175	0.72%
Interfund Transfers Out	34	236	202	592.71%
<b>Total Expenditures</b>	<b>\$21,492,064</b>	<b>\$22,649,656</b>	<b>\$1,157,592</b>	<b>5.39%</b>

Total General Fund expenditures increased by \$1,157,592 from the previous year. Salaries increased by \$158,243 or 2.01%. Employee benefits increased \$359,228 or 6.52%. Purchased service cost (transportation, heating, tuition payments and special education) increased by \$510,394 due to rising inflation costs. Instructional and maintenance supplies increased by \$139,656. Property decreased by a total of \$23,305. Bond principal and interest payments increased by \$13,175.

# LINE MOUNTAIN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION & ANALYSIS – continued FOR THE YEAR ENDED JUNE 30, 2023

### General Fund – continued

#### General Fund Budget

Over the course of the year, the District reviews expenditures and makes appropriate adjustments to cover unexpected expenditures in the annual operating budget due to increases in appropriations of significant budgeted costs.

#### CAPITAL ASSETS

The District has invested \$52,149,024 in a broad range of capital assets, including land, buildings, athletic facilities, furniture, computers, and right-to-use leased equipment. Accumulated depreciation/amortization on these assets was \$24,780,427 at June 30, 2023. Depreciation/amortization expense for the year was \$1,239,467.

Current year additions to capital assets totaled \$906,187. This consisted of additions to construction in process of \$761,482, which is largely related to the STEAM Lab Construction Project. The remaining additions consisted of a classroom dehumidification project, concrete wall, and various equipment purchases. Current year disposals totaled \$14,305. Detailed information concerning capital assets can be found in Notes to Financial Statements, Note 6.

**Table 4-A**  
**LINE MOUNTAIN SCHOOL DISTRICT**  
**CAPITAL ASSETS**

	Year Ended June 30, 2022	Year Ended June 30, 2023	Increase (Decrease)	Percent of Change
<b>Governmental Activities:</b>				
Land	\$410,066	\$410,066	0	0.00%
Buildings and Improvements	42,711,468	42,711,468	0	0.00%
Less Accumulated Depr.	(16,698,065)	(17,721,595)	(1,023,530)	6.13%
Furniture and Equipment	7,965,607	8,096,007	130,400	1.64%
Less Accumulated Depr.	(6,841,504)	(7,011,744)	(170,240)	2.49%
Right-To-Use Leased Equipment	156,960	156,960	0	0.00%
Less Accumulated Depr.	(15,696)	(47,088)	(31,392)	200.00%
Construction in Process	13,041	774,523	761,482	5839.14%
<b>Governmental Activities (Net)</b>	<b>\$27,701,877</b>	<b>\$27,368,597</b>	<b>(333,280)</b>	<b>-1.20%</b>
<b>Business-type Activities:</b>				
Furniture and Equipment	\$537,498	\$537,498	0	0.00%
Less Accumulated Depr.	(408,196)	(423,444)	(15,248)	3.74%
<b>Business-type Activities (Net)</b>	<b>\$129,302</b>	<b>\$114,054</b>	<b>15,248)</b>	<b>-11.79%</b>

## LINE MOUNTAIN SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION & ANALYSIS – continued

### FOR THE YEAR ENDED JUNE 30, 2023

#### LONG-TERM LIABILITIES

At year-end, the District had the following long-term liabilities in Table A-5. Also see Notes to Financial Statements, Note 8

**Table A-5**  
**Outstanding Long-term Liabilities**

	Year Ended June 30, 2022	Year Ended June 30, 2023	Increase (Decrease)	Percent of Change
General Obligation Bonds	\$20,043,179	\$18,694,613	(\$1,348,566)	-6.73%
Accumulated Compensated Absences	419,341	410,813	(8,528)	-2.03%
Post-Employment Benefits	1,921,043	1,499,336	(421,707)	-21.95%
Net Pension Liability	21,473,000	23,296,000	1,823,000	8.49%
Lease Obligations	145,146	115,899	(29,247)	-20.15%
<b>Total</b>	<b>\$44,001,709</b>	<b>\$44,016,661</b>	<b>\$14,952</b>	<b>0.03%</b>

#### RESTATEMENT OF NET POSITION

During fiscal year 2023, management discovered errors related to the reporting of intergovernmental revenues and receivables. Additionally, management determined that a portion of the Pension & OPEB Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources should be allocated to the business-type activities. These restatements resulted in an increase to governmental activities net position by \$977,953, and a decrease in business-type activities net position by \$513,215. Additional details related to the correction and restatement of net position as of June 30, 2022, can be found in Note 14 of the financial statements.

#### FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

There are several major factors that will have a significant influence on the District's financial future. During the 2007-08 fiscal year, Act 1 of 2006 was passed which limits future real estate tax increases to an inflation factor each year. The District plans to raise real estate taxes to the Act 1 index amount in order to cover decreasing state funding and future renovation projects.

The Public School Employee's Retirement System funding crisis will have an impact on future fiscal years. Current projections of state subsidies reflect significant decreases that will adversely affect the educational process statewide. Line Mountain is preparing for this by reviewing all expenditures for upcoming fiscal years. Health Care with Highmark Blue Shield anticipates an overall increase between 5 to 15 percent.

**LINE MOUNTAIN SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION & ANALYSIS – continued**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions concerning this report, or require any additional financial information, please contact the Line Mountain School District, Business Office, 185 Line Mountain Road, Herndon, PA 17830.

**LINE MOUNTAIN SCHOOL DISTRICT**

Statement of Net Position

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 10,235,723	\$ 640,375	\$ 10,876,098
Taxes Receivable, Net	1,013,583	-	1,013,583
Intergovernmental Receivables	1,997,603	-	1,997,603
Other Receivables	52,748	-	52,748
Inventories	-	7,773	7,773
Prepaid Expenses	136,445	1,500	137,945
Total Current Assets	<u>13,436,102</u>	<u>649,648</u>	<u>14,085,750</u>
<b>Noncurrent Assets:</b>			
Capital Assets Net of Depreciation	27,368,597	114,054	27,482,651
Total Noncurrent Assets	<u>27,368,597</u>	<u>114,054</u>	<u>27,482,651</u>
<b>TOTAL ASSETS</b>	<b><u>40,804,699</u></b>	<b><u>763,702</u></b>	<b><u>41,568,401</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pension Plan	3,640,951	74,305	3,715,256
Related to Postemployment Benefit Plan	289,818	5,915	295,733
Deferred Loss on Refinancing	109,307	-	109,307
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>4,040,076</u></b>	<b><u>80,220</u></b>	<b><u>4,120,296</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	504,126	10,102	514,228
Accrued Salaries and Benefits	1,358,331	13,255	1,371,586
Other Current Liabilities	160,374	11,821	172,195
Unearned Revenue	64,758	-	64,758
Current Portion of Lease Liability	30,547	-	30,547
Current Portion of Long-Term Debt	1,375,000	-	1,375,000
Total Current Liabilities	<u>1,375,000</u>	<u>35,178</u>	<u>3,528,314</u>
<b>Noncurrent Liabilities</b>			
Lease Obligations	85,352	-	85,352
Bonds Payable-Net of Current Portion	17,319,613	-	17,319,613
Compensated Absences	409,588	1,225	410,813
Other Postemployment Benefits	1,469,349	29,987	1,499,336
Net Pension Liability	22,830,080	465,920	23,296,000
Total Noncurrent Liabilities	<u>42,113,982</u>	<u>497,132</u>	<u>42,611,114</u>
<b>TOTAL LIABILITIES</b>	<b><u>45,607,118</u></b>	<b><u>532,310</u></b>	<b><u>46,139,428</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pension Plan	654,640	13,360	668,000
Related to Postemployment Benefit Plan	613,778	12,526	626,304
Deferred Donated Commodities	-	7,773	7,773
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>1,268,418</u></b>	<b><u>33,659</u></b>	<b><u>1,302,077</u></b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,667,392	114,054	8,781,446
Restricted	98,065	-	98,065
Unrestricted	(10,796,218)	163,899	(10,632,319)
<b>TOTAL NET POSITION</b>	<b><u>\$ (2,030,761)</u></b>	<b><u>\$ 277,953</u></b>	<b><u>\$ (1,752,808)</u></b>

The accompanying notes are an integral part of these financial statements

**LINE MOUNTAIN SCHOOL DISTRICT**

Statement of Activities  
For the Year Ended June 30, 2023

Functions/Programs	Expenses	PROGRAM REVENUE			NET REVENUE (EXPENSE) AND CHANGES IN NET POSITION		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
Instruction	\$ 11,973,753	\$ -	\$ 3,835,888	\$ -	\$ (8,137,865)	\$ -	\$ (8,137,865)
Instructional Student Support	1,359,817	-	190,420	-	(1,169,397)	-	(1,169,397)
Admin. & Financial Support Services	2,232,166	-	235,321	-	(1,996,845)	-	(1,996,845)
Operation & Maintenance of Facilities	1,882,861	-	785,757	-	(1,097,104)	-	(1,097,104)
Pupil Transportation	2,110,513	-	1,469,922	-	(640,591)	-	(640,591)
Student Activities	656,293	35,506	153,115	-	(467,672)	-	(467,672)
Scholarships & Awards	5,986	-	6,718	-	732	-	732
Interest on Long-Term debt	462,061	-	-	-	(462,061)	-	(462,061)
Total Governmental Activities	20,683,450	35,506	6,677,141	-	(13,970,803)	-	(13,970,803)
<b>Business-type activities:</b>							
Food Service	715,845	245,183	560,616	-	-	89,954	89,954
<b>Total Primary Government</b>	<b>\$ 21,399,295</b>	<b>\$ 280,689</b>	<b>\$ 7,237,757</b>	<b>\$ -</b>	<b>(13,970,803)</b>	<b>89,954</b>	<b>\$ (13,880,849)</b>
<b>General revenues:</b>							
Transfers					(236)	236	-
Taxes:							
Property taxes, levied for general purposes					6,104,437	-	6,104,437
Other taxes, levied for general purposes					2,448,325	-	2,448,325
Grants, subsidies, & contributions not restricted					7,867,035	-	7,867,035
Investment Earnings					292,423	2,866	295,289
Miscellaneous Income					14,559	-	14,559
Total general revenues and transfers					16,726,543	3,102	16,729,645
<b>Change in Net Position</b>					2,755,740	93,056	2,848,796
<b>NET POSITION - BEGINNING - Restated</b>					(4,786,501)	184,897	(4,601,604)
<b>NET POSITION - ENDING</b>					<b>\$ (2,030,761)</b>	<b>\$ 277,953</b>	<b>\$ (1,752,808)</b>

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2023

	Capital Projects General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,192,895	\$ 944,763	\$ 10,235,723
Taxes Receivable, Net	1,013,583	-	1,013,583
Intergovernmental Receivables	1,997,603	-	1,997,603
Other Receivables	52,748	-	52,748
Prepaid Expenses	136,445	-	136,445
<b>TOTAL ASSETS</b>	<b><u>\$ 12,393,274</u></b>	<b><u>\$ 944,763</u></b>	<b><u>\$ 13,436,102</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 450,141	\$ 53,985	\$ 504,126
Accrued Salaries and Benefits	1,358,331	-	1,358,331
Taxes Held in Escrow	45,346	-	45,346
Unearned Revenue	64,758	-	64,758
<b>Total Liabilities</b>	<b><u>1,918,576</u></b>	<b><u>53,985</u></b>	<b><u>1,972,561</u></b>
<b>Deferred Inflows of Resources:</b>			
Deferred Revenue - Property Taxes	<u>733,771</u>	-	733,771
<b>Total Deferred Inflows of Resources</b>	<b><u>733,771</u></b>	<b><u>-</u></b>	<b><u>733,771</u></b>
<b>Fund Balances:</b>			
Non-spendable	136,445	-	136,445
Restricted	-	98,065	98,065
Committed	4,027,292	-	4,027,292
Assigned	-	890,778	890,778
Unassigned	5,577,190	-	5,577,190
<b>Total Fund Balances</b>	<b><u>9,740,927</u></b>	<b><u>890,778</u></b>	<b><u>98,065</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 12,393,274</u></b>	<b><u>\$ 944,763</u></b>	<b><u>\$ 13,436,102</u></b>

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

**LINE MOUNTAIN SCHOOL DISTRICT**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2023

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 10,729,770

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

Capital Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of capital assets is \$52,149,024 and the accumulated depreciation/amortization is \$24,780,427.

27,368,597

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

Lease Liability	(115,899)
Bonds Payable	(18,694,613)
Compensated Absences	(409,588)
Postemployment Benefits	(1,469,349)
Net Pension Liability	<u>(22,830,080)</u>
	(43,519,529)

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

733,771

Governmental funds do not report a liability for accrued interest until due and payable. (115,028)

Pension deferrals, OPEB deferrals and deferred loss on refunding are deferred outflows of resources on the statement of net position but are not reported in the governmental funds.

4,040,076

Pension and OPEB deferrals are deferred inflows of resources on the statement of net position but are not reported in the governmental funds.

(1,268,418)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES**

\$ (2,030,761)

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

	General Fund	Capital Projects Funds	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Revenues	\$ 8,955,193	\$ 37,619	\$ 141,941	\$ 9,134,753
State Program Revenues	12,175,930	-	-	12,175,930
Federal Program Revenues	2,034,737	-	-	2,034,737
Total Revenues	<u>23,165,860</u>	<u>37,619</u>	<u>141,941</u>	<u>23,345,420</u>
<b>EXPENDITURES</b>				
Instruction	12,194,466	-	-	12,194,466
Support Services	8,089,225	103,985	-	8,193,210
Operation of Non-Instruction Services	519,495	-	125,488	644,983
Debt Service (Principal & Interest)	1,846,234	-	-	1,846,234
Total Expenditures	<u>22,649,420</u>	<u>103,985</u>	<u>125,488</u>	<u>22,878,893</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>516,440</u>	<u>(66,366)</u>	<u>16,453</u>	<u>466,527</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Transfers	(236)	-	-	(236)
Total Other Financing Sources (Uses)	<u>(236)</u>	<u>-</u>	<u>-</u>	<u>(236)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>516,204</u>	<u>(66,366)</u>	<u>16,453</u>	<u>466,291</u>
<b>FUND BALANCE - JULY 1, 2022 - Restated</b>	<u>9,224,723</u>	<u>957,144</u>	<u>81,612</u>	<u>10,263,479</u>
<b>FUND BALANCE - JUNE 30, 2023</b>	<u><u>\$ 9,740,927</u></u>	<u><u>\$ 890,778</u></u>	<u><u>\$ 98,065</u></u>	<u><u>\$ 10,729,770</u></u>

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

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

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 466,291

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeds capital outlays in the current period. (333,280)

The issuance of long-term debt or leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt or leases consumes current financial resources of governmental funds. The receipt or repayment of principal increases or decreases long-term debt or leases in the Statement of Net Position. This amount is the net effect on these differences. 1,354,247

In the Statement of Activities, interest is accrued on outstanding bonds, whereas, in governmental funds, an interest expenditure is reported when due. 16,297

Because some taxes and other revenues will not be collected for several months after the District's year-end, they are not considered as available revenues in the governmental funds. 94,006

Losses on bonds refunding, and original issue discounts and premiums are capitalized and amortized in the statement of activities. 13,629

Changes in the proportionate share of collective net pension liability does not require the use of or provide current financial resources and is not reported in the governmental funds. 1,084,076

Changes in the net other post employment liability does not require the use of or provide current financial resources and is not reported in the governmental funds. 51,009

Change in Compensated Absences 9,465

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 2,755,740

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Statement of Revenues, Expenditures and  
Changes in Fund Balances, Budget and Actual  
General Fund  
For the Year Ended June 30, 2023

<u>GENERAL FUND</u>				Variance with Final Budget	
	Budgeted Amounts	Actual	Positive (Negative)		
	Original	Final	(Budgetary Basis)		
<b>REVENUES</b>					
Local Revenues	\$ 8,609,192	\$ 8,609,192	\$ 8,955,193	\$ 346,001	
State Revenues	11,776,235	11,776,235	12,175,930	399,695	
Federal Revenues	444,923	444,923	2,034,737	1,589,814	
<b>Total Revenues</b>	<b>20,830,350</b>	<b>20,830,350</b>	<b>23,165,860</b>	<b>2,335,510</b>	
<b>EXPENDITURES</b>					
Regular Programs	8,530,862	8,596,862	9,101,959	(505,097)	
Special Programs	2,891,032	2,825,032	2,808,241	16,791	
Vocational Programs	356,688	356,688	276,821	79,867	
Other Instructional Programs	164,565	164,565	7,445	157,120	
Pupil Personnel Services	913,118	913,118	896,568	16,550	
Instructional Staff Services	238,910	238,910	285,758	(46,848)	
Administrative Services	1,492,481	1,492,331	1,549,016	(56,685)	
Pupil Health	180,228	180,228	205,727	(25,499)	
Business Services	446,425	446,425	428,144	18,281	
Operation and Maintenance of Plant Services	1,593,812	1,633,812	2,447,354	(813,542)	
Student Transportation Services	1,952,702	1,912,702	1,999,432	(86,730)	
Central and Other Support Services	282,768	282,918	277,226	5,692	
Student Activities	493,695	493,695	519,495	(25,800)	
Debt Services (Principal and Interest)	1,828,194	1,828,194	1,846,234	(18,040)	
<b>Total Expenditures</b>	<b>21,365,480</b>	<b>21,365,480</b>	<b>22,649,420</b>	<b>(1,283,940)</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(535,130)</b>	<b>(535,130)</b>	<b>516,440</b>	<b>1,051,570</b>	

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

**LINE MOUNTAIN SCHOOL DISTRICT**  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balances, Budget and Actual  
 General Fund - continued  
 For the Year Ended June 30, 2023

**GENERAL FUND**

	Budgeted Amounts	Actual	Variance with
	Original	(Budgetary Basis)	Final Budget
	Final		Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Net Fund Transfers	-	-	(236) (236)
<b>Total Other Financing Sources (Uses)</b>	-	-	(236) (236)
 <b>NET CHANGE IN FUND BALANCE</b>	 (535,130)	 (535,130)	 516,204 1,051,334
 <b>FUND BALANCE - JULY 1, 2022 - Restated</b>	 9,224,723	 9,224,723	 9,224,723 -
 <b>FUND BALANCE - JUNE 30, 2023</b>	 <u>\$ 8,689,593</u>	 <u>\$ 8,689,593</u>	 <u>\$ 9,740,927</u> <u>\$ 1,051,334</u>

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Statement of Net Position

Proprietary Fund

June 30, 2023

Enterprise  
Fund  
Food Service

**ASSETS**

Current Assets

Cash	\$ 640,375
Prepaid Expenses	1,500
Inventories	7,773
Total Current Assets	<u>649,648</u>

Noncurrent Assets

Furniture and Equipment, Net	114,054
Total Noncurrent Assets	<u>114,054</u>
Total Assets	<u>763,702</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Amounts Related to Pensions	74,305
Amounts Related to OPEB	5,915
Total Deferred Inflows of Resources	<u>80,220</u>

**LIABILITIES**

Current Liabilities

Accounts Payable	10,102
Accrued Salaries and Benefits	13,255
Other Current Liabilities	11,821
Total Current Liabilities	<u>35,178</u>

Noncurrent Liabilities

Compensated Absences	1,225
Proportionate Share of Net Pension Liability	465,920
Net Other Postemployment Benefits Liability	29,987
Total Noncurrent Liabilities	<u>497,132</u>
Total Liabilities	<u>532,310</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Donated Commodities	7,773
Amounts Related to Pensions	13,360
Amounts Related to OPEB	12,526
Total Deferred Inflows of Resources	<u>33,659</u>

**NET POSITION**

Net Investment in Capital Assets	114,054
Unrestricted	163,899
Total Net Position	<u>\$ 277,953</u>

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2023

	Enterprise Fund <u>Food Service</u>
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 245,183
Total Operating Revenues	<u>245,183</u>
<b>OPERATING EXPENSES</b>	
Salaries	172,084
Employee Benefits	78,056
Equipment Repairs and Maintenance	6,305
Other Purchased Service	391,230
Supplies	52,922
Depreciation Expense	<u>15,248</u>
Total Operating Expenses	<u>715,845</u>
<b>OPERATING LOSS</b>	<u>(470,662)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Transfer from General Fund	236
Earnings on Investments	2,866
State Sources	96,227
Federal Sources	<u>464,389</u>
Total Nonoperating Revenues (Expenses)	<u>563,718</u>
<b>CHANGES IN NET POSITION</b>	93,056
<b>TOTAL NET POSITION - JULY 1, 2022 - Restated</b>	<u>184,897</u>
<b>TOTAL NET POSITION - JUNE 30, 2023</b>	<u>\$ 277,953</u>

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2023

	Enterprise Fund <u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 244,642
Cash Payments to Employees for Services	(272,892)
Cash Payments to Suppliers for Goods and Services	<u>(448,898)</u>
Net Cash Used for Operating Activities	<u>(477,148)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from General Fund	236
State Sources	98,657
Federal Sources	<u>538,783</u>
Net Cash Provided by Noncapital Financing Activities	<u>637,676</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>2,866</u>
Net Cash Provided by Investing Activities	<u>2,866</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>163,394</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b><u>476,981</u></b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b><u>\$ 640,375</u></b>

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Statements of Cash Flows - continued

Proprietary Fund

For the Year Ended June 30, 2023

	Enterprise Fund <u>Food Service</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>	<b><u>\$ (470,662)</u></b>
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Depreciation Expense	15,248
(Increase) Decrease in Inventories	1,964
(Increase) Decrease in Deferred Outflows	(10,449)
Increase (Decrease) in Accounts Payable	1,559
Increase (Decrease) in Accrued Salaries/Benefits	(524)
Increase (Decrease) in Other Current Liabilities	(541)
Increase (Decrease) in Compensated Absences	937
Increase (Decrease) in Net Pension Liability	36,460
Increase (Decrease) in OBEP Liability	(8,434)
Increase (Decrease) in Deferred Inflows	(42,706)
Total Adjustments	<u>(6,486)</u>
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b><u>\$ (477,148)</u></b>

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

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Line Mountain School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

#### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the District is considered a "primary government". The District is governed by a nine-member board to which each member is elected by the citizens of each defined district.

For financial reporting purposes, Line Mountain School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The District participates in a jointly governed organization. The organization is the Northumberland County Career and Technology Center. The organization is presented in Note 11 to the basic financial statements.

#### **B. Government-wide and Fund Financial Statements**

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

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

#### **B. Government-wide and Fund Financial Statements - continued**

3. Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - This fund is used to account for financial resources to be used for capital improvements, and the construction, replacements, additions, and maintenance of facilities, and purchase of school buses.

All other governmental funds not meeting the criteria established for major funds are presented in the non-major governmental funds column of the fund financial statements.

Additionally, the District reports the following major proprietary fund:

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the District has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. The District's proprietary fund is the Cafeteria Fund. This fund is used to account for the cafeterias of the District.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Property taxes are levied by the District upon an assessed value times an approved millage rate. See Note 3 for further details.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 1 - Summary of Significant Accounting Policies – continued

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued**

The effect on inter-fund activity has been eliminated from the government-wide statements.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2014 edition, issued by the U.S. Department of Education.

#### **D. Basis of Accounting**

##### **1. Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

##### **2. Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

##### **D. Basis of Accounting** - continued

###### **3. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

##### **E. Budgetary Process**

The operating budget is prepared in accordance with generally accepted accounting principles. An annual budget prepared by function and object is formally adopted for the General Fund. Project-length financial plans are used for Capital Projects Fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified by the Business Manager. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended budget issued during the fiscal year 2023.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

##### **F. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are reported within committed or assigned fund balances.

##### **G. Cash and Investments**

Cash includes amounts in demand deposits and certificates of deposit. Investments consist of repurchase agreements and funds invested in the PA Treasury Investment Program and are stated at cost, which approximates market value. This is in accordance with Section 440.1 of the School Code.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

#### **H. Taxes Receivable**

Taxes receivable consist of delinquent real estate taxes due at June 30, 2023, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

On governmental fund financial statements, the amount of taxes receivable at June 30, 2023, less the amount actually collected and remitted to the District in July and August 2023 are reported as deferred inflows of resources.

#### **I. Due From/To Other Funds**

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

#### **J. Inventories**

The District’s inventory of supplies in the General Fund is not significant in amount and is therefore not included in the financial statements.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities which were valued using USDA values, and other cafeteria supplies valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as deferred revenue.

#### **K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial single item cost of more than \$5,000, and an estimated useful life in excess of one year. In addition, capital assets purchased with a long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

#### **K. Capital Assets - continued**

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

Description	Estimated Lives
Land	Not Depreciated
Land Improvements	12 Years
Buildings and Building Improvements	40 Years
Vehicles	5 - 15 years
Furniture and Equipment	12 Years

#### **L. Long-Term Liabilities**

In the government-wide financial statements and proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issue costs are recognized as an expense in the period incurred. In the fund financial statements, the face amount of debt is reported as other financing sources, and the repayment of debt is reported as debt service expenditures. Premiums received on debt issues are reported as other financing sources while discounts on debt issues are reported as other financing uses during the current period. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **M. Leases**

The District is a lessee for non-cancellable leases of equipment. A lease liability and an intangible right-to-use lease asset is recognized in the government-wide financial statements. The District considers all leases above their capitalization policy for recognition. Leases that are material individually or in the aggregate are recognized.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the leases term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

#### **M. Leases - continued**

Key estimates and judgments related to leases include how the District determines (1) the discount rate it used to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The district uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

#### **N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in these categories: Deferred outflows on refunding bonds, deferred outflows and inflows related to pensions and other postemployment benefits, and unavailable tax revenue. Deferred outflows/inflows on refundings are the result of differences in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows and inflows related to pensions and other postemployment benefits are discussed in Notes 9 and 10, respectively. Unavailable tax revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. This amount, which relates to property taxes, is deferred and recognized as an inflow of resources in the period the amount becomes available.

#### **O. Estimates**

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

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

##### **P. Fund Balances**

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of a resolution for a specific purpose.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Business Manager pursuant to authorization established by the board.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents 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. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**LINE MOUNTAIN SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2023

**Note 1 - Summary of Significant Accounting Policies – continued**

**P. Fund Balances - continued**

**Governmental Fund Balances**

Governmental Fund Balances consist of the following at June 30, 2023:

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
<b>Non Spendable:</b>				
Prepaid Expenses	\$ 136,445	\$ -	\$ -	\$ 136,445
<b>Restricted:</b>				
Student Activity Funds	- -	- -	81,279	81,279
Scholarships	- -	- -	16,786	16,786
<b>Committed:</b>				
Health Savings Account				
Contributions	1,772,292	- -	- -	1,772,292
Medical Insurance	2,255,000	- -	- -	2,255,000
<b>Assigned:</b>				
Capital Improvements	- -	890,778	- -	890,778
<b>Unassigned:</b>				
Total Fund Balances	<u>\$ 9,740,927</u>	<u>\$ 890,778</u>	<u>\$ 98,065</u>	<u>\$ 10,729,770</u>

Although the board restricts the use of the Capital Projects Fund assets for construction, additions and equipment, fixed assets can be purchased out of the General Fund if the items are budgeted for in the annual budget.

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

##### **Q. Definition of Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the term cash and cash equivalents includes cash in bank and short-term, highly liquid investments with a maturity of ninety days or less at the date of purchase.

##### **R. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability. The liability includes the employees who are currently eligible to receive termination benefits. The amount is based on accumulated sick leave and the various rates stated in the labor contracts. The District records a liability for accumulated unused sick leave for all employees.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

##### **S. Other Post-Employment Benefits**

Other Post-Employment Benefits (OPEB) consist of health care plans provided by the District through a single employer defined benefit plan which funds fixed amounts toward the purchase of health insurance for qualified retirees. OPEB also includes benefits provided through the Public School Employees' Retirement System (PSERS) Health Insurance Premium Assistance Program. The Health Insurance Premium Assistance Program is a governmental cost sharing multiple-employer OPEB plan for eligible retirees who qualify and elect to participate.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 1 - Summary of Significant Accounting Policies – continued

#### **T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

#### **U. Operating and Nonoperating Revenues**

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating in the financial statements.

#### Note 2 - Legal Compliance Budgets

All principals at each educational level of the District submit requests for appropriation to the superintendent and business administrator. A tentative budget is prepared. It includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The proposed budget is presented to the School Board at public meetings for their review.

Tentative adoption of the budget must be made 30 days prior to final adoption to allow for public review. Final adoption of the budget must occur on or before June 30. Budget transfers are typically made by the business administrator at year end with Board approval.

#### Note 3 - Real Estate Tax and Deferred Revenue

Based upon assessments provided by the County, the District bills and collects its own property taxes. The District tax rate for the year ended June 30, 2023, was 79.81 mills for Northumberland County residents as levied by the School Board. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	-Levy date
July 1 - August 31	-2% discount period
September 1 - October 31	-Face payment period
November 1 - December 31	-10% penalty period
December 31	- Delinquent Date

The District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 3 - Real Estate Tax and Deferred Revenue - continued

The balances at June 30, 2023 are as follows:

	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real Estate	\$ 1,838,303	\$ (824,720)	\$ 1,013,583	\$ 279,812

The deferred revenue balance in the General Fund is \$733,771 and is reported as deferred inflows of resources.

#### Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the District. At June 30, 2023, the following amounts are due from other governmental units:

	General Fund	Proprietary Fund	Total
Federal Subsidies	\$ 1,469,558	\$ -	\$ 1,469,558
State Subsidies	528,045	-	528,045
<b>Total</b>	<b>\$ 1,997,603</b>	<b>\$ -</b>	<b>\$ 1,997,603</b>

#### Note 5 - Cash and Cash Equivalents

The District's cash deposits are restricted by statute to United States Treasury bills, short-term obligations of the United States Government and certain obligations of the United States, Commonwealth of Pennsylvania or its political subdivisions which are backed by the full faith and credit of those governmental entities. Deposits in banks and other financial institutions must be insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund. Deposits in excess of the maximum insurable amounts must be collateralized by securities held by that institution, in accordance with the provisions of law. Pool pledging in accordance with P.L. 281, No. 72, (Act 72), is permissible.

#### **Risk Categories - Deposits**

All deposits are carried at cost. There are three categories of credit risk that may apply to the District's deposits.

1. Insured or collateralized with securities held by the District or by its agent in the District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
3. Uncollateralized.

**LINE MOUNTAIN SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2023

Note 5 - Cash and Cash Equivalents – continued

Balances held in each category at June 30, 2023, are as follows:

	Carrying Amount	Bank Balance	Credit Risk
Insured Deposits (FDIC)	\$ 266,786	\$ 268,536	1
Uninsured Deposits:			
Collateral held by Federal Reserve			
Bank in the District's Name	-	-	2
Uncollateralized	<u>10,609,312</u>	<u>10,913,346</u>	3
Total Deposits	<u><u>\$ 10,876,098</u></u>	<u><u>\$ 11,181,882</u></u>	

The amounts listed as uncollateralized have been secured by pool pledging in accordance with Act 72.

Note 6 – Changes in Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENT ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 13,041	\$ 761,482	\$ -	\$ 774,523
Land	<u>410,066</u>	-	-	<u>410,066</u>
Total Capital Assets Not Being Depreciated	<u><u>423,107</u></u>	<u><u>761,482</u></u>	<u><u>-</u></u>	<u><u>1,184,589</u></u>
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	42,711,468	-	-	42,711,468
Furniture and Equipment	7,965,607	144,705	14,305	8,096,007
Right-To-Use Leased Equipment	<u>156,960</u>	-	-	<u>156,960</u>
Total Assets Being Depreciated/Amortized	<u><u>50,834,035</u></u>	<u><u>144,705</u></u>	<u><u>14,305</u></u>	<u><u>50,964,435</u></u>
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	16,698,065	1,023,530	-	17,721,595
Furniture and Equipment	6,841,504	184,545	14,305	7,011,744
Right-To-Use Leased Equipment	<u>15,696</u>	<u>31,392</u>	-	<u>47,088</u>
Total Accumulated Depreciation/Amortization	<u><u>23,555,265</u></u>	<u><u>1,239,467</u></u>	<u><u>14,305</u></u>	<u><u>24,780,427</u></u>
Total Capital Assets Being Depreciated/Amortized-Net	<u><u>27,278,770</u></u>	<u><u>(1,094,762)</u></u>	<u><u>-</u></u>	<u><u>26,184,008</u></u>
Total Governmental Activities, Capital Assets-Net	<u><u>\$ 27,701,877</u></u>	<u><u>\$ (333,280)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,368,597</u></u>

**LINE MOUNTAIN SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2023

Note 6 – Changes in Capital Assets - continued

	Beginning Balance	Increases	Decreases	Ending Balance
<b>BUSINESS - TYPE ACTIVITIES</b>				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 537,498	\$ -	\$ -	\$ 537,498
Total Capital Assets, Being Depreciated	<u>537,498</u>	<u>-</u>	<u>-</u>	<u>537,498</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	408,196	15,248	-	423,444
Total Accumulated Depreciation	<u>408,196</u>	<u>15,248</u>	<u>-</u>	<u>423,444</u>
Total Capital Assets Being Depreciated-Net	<u>129,302</u>	<u>(15,248)</u>	<u>-</u>	<u>114,054</u>
Business - Type Activities Capital Assets-Net	<u>\$ 129,302</u>	<u>\$ (15,248)</u>	<u>\$ -</u>	<u>\$ 114,054</u>

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

**GOVERNMENT ACTIVITIES**

Instruction:	
Regular	\$ 570,815
Special	163,079
Support Services:	
Pupil	64,012
Instructional Staff	16,595
Administration	136,566
Pupil Transportation	116,110
Operation and Maintenance Plant	142,122
Operation of Noninstructional Services:	
Student Activities	30,168
Total Depreciation Expense - Governmental Activities	<u>\$ 1,239,467</u>

**BUSINESS - TYPE ACTIVITIES**

Food Service Fund	\$ 15,248
Total Depreciation Expense - Business - Type Activities	<u>\$ 15,248</u>

**LINE MOUNTAIN SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2023

**Note 8 – Long-Term Obligations**

Changes in the District's long-term obligations during fiscal year 2023 were as follows:

	Balance at 6/30/22 (restated)	Additions	Reductions	Balance at 6/30/23
<b>Governmental Activities:</b>				
<b>General Obligation Bonds Payable:</b>				
GOB, Series of 2012	\$ 570,000	\$ -	\$ 570,000	\$ -
GOB, Series of 2014A	385,000	-	385,000	-
GOB, Series of 2017	7,615,000	-	35,000	7,580,000
GOB, Series of 2019	3,510,000	-	5,000	3,505,000
GOB, Series of 2019A	7,705,000	-	330,000	7,375,000
Subtotal	<u>19,785,000</u>	<u>-</u>	<u>1,325,000</u>	<u>18,460,000</u>
Bond Premiums	258,179	-	23,566	234,613
Total	<u>20,043,179</u>	<u>-</u>	<u>1,348,566</u>	<u>18,694,613</u>
<b>Other Liabilities:</b>				
Lease Obligations	145,146	-	29,247	115,899
Compensated Absences	419,053	-	9,465	409,588
Postemployment Benefits	1,882,622	-	413,273	1,469,349
Pension Liability	21,043,540	1,786,540	-	22,830,080
Total Other Liabilities	<u>23,490,361</u>	<u>1,786,540</u>	<u>451,985</u>	<u>24,824,916</u>
<b>Total Governmental Activities</b>				
Long-Term Liabilities	<u><u>\$ 43,533,540</u></u>	<u><u>\$ 1,786,540</u></u>	<u><u>\$ 1,800,551</u></u>	<u><u>\$ 43,519,529</u></u>
<b>Business - Type Activities:</b>				
Compensated Absences	\$ 288	\$ 937	\$ -	\$ 1,225
Postemployment Benefits	38,421	-	8,434	29,987
Pension Liability	429,460	36,460	-	465,920
Total Business - Type Activities	<u>\$ 468,169</u>	<u>\$ 37,397</u>	<u>\$ 8,434</u>	<u>\$ 497,132</u>

**2012 General Obligation Bonds Payable**

On August 23, 2012, the District issued a \$9,860,000 Series of 2012 General Obligation Bonds Payable for the refunding of the 2007 General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2012 Bonds.

On October 31, 2017, the District issued a \$7,725,000 Series of 2017 General Obligation Bonds to partially refinance the 2012 General Obligation Bonds Payable. Net proceeds of \$7,425,000 were applied as principal payment on the 2012 Series General Obligation Bonds Payable.

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 7 – Long-Term Obligations - continued

#### **2012 General Obligation Bonds Payable - continued**

Interest is payable semi-annually at rates stipulated in the indenture (from 2.00% to 2.375%) on May 15<sup>th</sup> and November 15<sup>th</sup> of each year. Principal payments are scheduled annually on November 15<sup>th</sup>.

The remaining Series of 2012 General Obligation Bonds were paid in full on November 15, 2022.

#### **2014A General Obligation Bonds Payable**

On March 20, 2014, the District issued a \$6,250,000 Series of 2014A General Obligation Bonds payable for the refunding of the 2009A General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2014A Bonds.

On March 29, 2019, the District issued General Obligation Bonds, Series of 2019 for the current refunding of a portion of the Series 2014A bonds. The District deposited with the Bond Escrow agent the sum of \$3,490,839 which was sufficient to redeem the refunded portion in the amount of \$3,445,000 and interest required.

Interest is payable semi-annually at rates stipulated in the indenture (from 2.0% to 2.5%) on May 15<sup>th</sup> and November 15<sup>th</sup> of each year. Principal payments are scheduled annually on November 15<sup>th</sup>.

The remaining Series of 2014A General Obligation Bonds were paid in full on November 15, 2022.

#### **2017 General Obligation Bonds Payable**

On October 31, 2017, the District issued General Obligation Bonds, Series of 2017 in the amount of \$7,725,000. The Bonds were used for the current refunding of a portion of the District's General Obligation Bonds, Series of 2012, and paying the costs associated with issuance of the Bonds. The bonds mature on November 15<sup>th</sup> of each year through 2033 and bear interest at rates ranging from 1.00% to 3.00%. Interest is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup>. The partial refunding of the Series 2012 Bonds resulted in an economic gain of \$253,802. The bonds are secured with the full faith, credit and taxing power of the District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Year	Principal	Interest	Total
2024	\$ 620,000	\$ 176,878	\$ 796,878
2025	630,000	164,378	794,378
2026	645,000	151,628	796,628
2027	655,000	138,464	793,464
2028	670,000	124,547	794,547
2029-2033	3,690,000	368,547	4,058,547
2034	670,000	10,050	680,050
Total	<u>\$ 7,580,000</u>	<u>\$ 1,134,492</u>	<u>\$ 8,714,492</u>

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 7 – Long-Term Obligations - continued

#### **2019 General Obligation Bonds Payable**

On March 29, 2019, the District issued General Obligation Bonds, Series of 2019 in the amount of \$3,525,000. The Bonds were used for the current refunding of a portion of the District's General Obligation Bonds, Series of 2014A, and paying the costs associated with issuance of the Bonds. The bonds mature on September 1<sup>st</sup> of each year through 2030 and bear interest at rates ranging from 1.65% to 5.00%. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup>. The partial refunding of the Series 2014A Bonds resulted in an economic gain of \$76,059. The bonds are secured with the full faith, credit and taxing power of the District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Year	Principal	Interest	Total
2024	\$ 405,000	\$ 97,650	\$ 502,650
2025	420,000	79,125	499,125
2026	425,000	66,475	491,475
2027	430,000	57,388	487,388
2028	440,000	47,050	487,050
2029-2031	1,385,000	63,075	1,448,075
Total	<u>\$ 3,505,000</u>	<u>\$ 410,763</u>	<u>\$ 3,915,763</u>

#### **2019A General Obligation Bonds Payable**

On September 30, 2019, the District issued General Obligation Bonds, Series of 2019A in the amount of \$8,545,000. The Bonds were used for the current refunding of the District's General Obligation Bonds, Series of 2013, and paying the costs associated with issuance of the Bonds. The bonds mature on September 1<sup>st</sup> of each year through 2035 and bear interest at rates ranging from 2.00% to 5.00%. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup>. The refunding of the Series 2013 Bonds resulted in an economic gain of \$567,233. The bonds are secured with the full faith, credit and taxing power of the District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Year	Principal	Interest	Total
2024	\$ 350,000	\$ 163,714	\$ 513,714
2025	370,000	145,714	515,714
2026	380,000	132,664	512,664
2027	385,000	125,014	510,014
2028	395,000	117,214	512,214
2029-2033	2,950,000	446,004	3,396,004
2034-2035	<u>2,545,000</u>	<u>59,746</u>	<u>2,604,746</u>
Total	<u>\$ 7,375,000</u>	<u>\$ 1,190,070</u>	<u>\$ 8,565,070</u>

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 7 – Long-Term Obligations - continued

#### **Aggregate Maturities of All Long Term Debt**

The aggregate maturities of all long-term borrowings for the next five years and to maturity are:

Year	Principal	Interest	Total
2024	\$ 1,375,000	\$ 438,242	\$ 1,813,242
2025	1,420,000	389,217	1,809,217
2026	1,450,000	350,767	1,800,767
2027	1,470,000	320,866	1,790,866
2028	1,505,000	288,811	1,793,811
2029-2033	8,025,000	877,626	8,902,626
2034-2035	3,215,000	69,796	3,284,796
Total	<u>\$ 18,460,000</u>	<u>\$ 2,735,325</u>	<u>\$ 21,195,325</u>

#### Note 8 - Leases

The District leases equipment for certain offices and buildings. The term of the lease is five years. The District's equipment lease contains scheduled monthly payments with expiration dates extending through 2027. Lease and finance purchase obligations are fully funded by the general fund. The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year as of June 30, 2023:

Years	Principal	Interest	Total Payments
2024	30,547	4,449	34,996
2025	31,906	3,090	34,996
2026	33,326	1,670	34,996
2027	20,120	294	20,414
Total	<u>\$ 115,899</u>	<u>\$ 9,503</u>	<u>\$ 125,402</u>

#### Note 9 - Pension Plan

#### **General Information about the Pension Plan**

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

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 9 - Pension Plan - continued

#### **General Information about the Pension Plan - continued**

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

#### Benefits Provided

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

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

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

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

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

**LINE MOUNTAIN SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2023

Note 9 - Pension Plan - continued

Contributions

Member Contributions:

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,768,755 for the year ended June 30, 2023.

**LINE MOUNTAIN SCHOOL DISTRICT**

Notes to the Financial Statements

June 30, 2023

Note 9 - Pension Plan - continued

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

At June 30, 2023, the District reported a liability of \$23,296,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was .0524 percent, which was an increase of .0001 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$1,662,555. At June 30, 2023, 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>
Difference between expected and actual experience	\$ 11,000	\$ 201,000
Changes in assumptions	696,000	-
Net difference between projected and actual investment earnings	-	395,000
Changes in proportion	35,000	72,000
Difference between employer contributions and proportionate share of total contributions	204,501	-
Contributions subsequent to the measurement date	<u>2,768,755</u>	-
	<u><u>\$ 3,715,256</u></u>	<u><u>\$ 668,000</u></u>

\$2,768,755 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 84,125
2025	134,125
2026	(543,875)
2027	604,126
	<u><u>\$ 278,501</u></u>

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 9 - Pension Plan – continued

##### Changes in Actuarial Assumptions

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

- Valuation Date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.75%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

##### Investments

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

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

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 9 - Pension Plan – continued

#### Investments - continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
	<u>100.0%</u>	

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

#### Discount Rate

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

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

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

	1% Decrease	Current	1% Increase
	6.00%	7.00%	8.00%
District's proportionate share of the net pension liability	\$ 30,132,000	\$ 23,296,000	\$ 17,533,000

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 9 - Pension Plan – continued

#### Pension Plan Fiduciary Net Position

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

### Note 10 – Other Post-Employment Benefits

#### SINGLE EMPLOYER DEFINED BENEFIT PLAN

##### General Information about the Single Employer Defined Benefit Plan

Line Mountain School District provides access to retiree medical, prescription drug, dental, and vision coverage to eligible retired employees and qualified spouses. This is a single employer defined benefit plan administered by the District. The plan does not issue a separate stand-alone financial statement.

*Plan Membership:* Plan membership consisted of the following at July 1, 2021:

Active Plan Members	149
Vested Former Participants	-
Retired Participants	9
Total	<u>158</u>

*Benefits Provided:* The Plan provides medical, prescription drug, dental, and vision benefits for retirees and their spouses.

Group	Eligibility	Coverage and Premium Sharing	Duration
1. Administrators	Act 110/43	Coverage: Medical, Prescription Drug, Dental and Vision Premium sharing: Members pays 100% of premiums Dependents: Spouse included	Member coverage ceases at Medicare Age Spouse coverage ceases at the later of the member's or their own Medicare age
2. Teachers	Same as 1	Same as 1	Same as 1
3. Support Staff	Same as 1	Same as 1	Same as 1

*ACT 110/43 Eligibility:* All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

*ACT 110/43 Coverage & Premium Sharing:* Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined by the district plan.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 10 – Other Post-Employment Benefits - continued

#### SINGLE EMPLOYER DEFINED BENEFIT PLAN - continued

##### PSERS Superannuation Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

Coordination with Medicare benefits: Medicare pays primary

Other postemployment benefits not valued in this report (not reportable under GASB 75):

- Unused sick leave payable as a retirement cash bonus
- Early retirement incentive paying lump sum payments for unused sick days.

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

At June 30, 2023, the District reported a liability of \$534,336 for its net OPEB liability. The net OPEB liability was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$44,439. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 141,641
Changes in assumptions	62,617	206,663
Contributions subsequent to the measurement date	22,069	-
	<u><u>\$ 84,686</u></u>	<u><u>\$ 348,304</u></u>

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 10 – Other Post-Employment Benefits - continued

#### SINGLE EMPLOYER DEFINED BENEFIT PLAN - continued

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$22,069 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	Year ending June 30,	Amount
2024		\$ (31,172)
2025		(31,172)
2026		(31,172)
2027		(31,172)
2028		(31,167)
Thereafter		<u>(129,832)</u>
		<u>\$ (285,687)</u>

#### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Discount Rate: 4.06% Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2022.

Salary: An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.

Withdrawal: Rates of withdrawal are based on PSERS plan experience and vary by age, gender, years of service and PSERS Pension Class. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 25.93% for men and 27.46% for women and decrease with age and service.

Age	Male	Female	Age	Male	Female
	Rate	Rate		Rate	Rate
25	4.5500%	3.9000%	45	1.4100%	1.6000%
30	4.5500%	3.9000%	50	1.8900%	2.0800%
35	1.6800%	2.8300%	55	3.6300%	3.6600%
40	1.4200%	1.6700%	60	5.4900%	5.9400%

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 10 – Other Post-Employment Benefits - continued

#### SINGLE EMPLOYER DEFINED BENEFIT PLAN - continued

##### Actuarial Assumptions – continued

Mortality: PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Disability: No disability was assumed.

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

<u>Age</u>	<u>Special Early Retirement</u>		<u>TC &amp; TD</u>		<u>TE, TF, TG, &amp; TH</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	14.5%	14.5%	25.0%	16.0%	16.3%	19.5%
56	14.5%	14.5%	25.0%	20.0%	16.3%	19.5%
57	14.5%	15.0%	28.0%	28.0%	16.3%	19.5%
58	14.5%	15.0%	28.0%	30.0%	16.3%	19.5%
59	21.6%	20.7%	28.0%	30.0%	16.3%	19.5%
60	14.5%	15.0%	29.0%	31.0%	16.3%	19.5%
61	29.0%	29.0%	29.0%	31.0%	16.3%	19.5%
62	29.0%	29.0%	36.0%	31.0%	16.3%	19.5%
63	29.0%	29.0%	21.0%	20.0%	16.3%	19.5%
64	29.0%	29.0%	22.0%	25.0%	16.3%	19.5%
65	29.0%	29.0%	23.0%	28.0%	16.3%	19.5%
66	29.0%	29.0%	23.0%	27.0%	16.3%	19.5%
67	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
68	29.0%	29.0%	20.0%	22.0%	16.3%	19.5%
69	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
70	29.0%	29.0%	20.0%	23.0%	16.3%	19.5%
71-73	29.0%	29.0%	20.0%	20.0%	16.3%	19.5%
74-79	29.0%	29.0%	25.0%	25.0%	16.3%	19.5%
80+	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Percent of Eligible Retirees Electing Coverage in Plan: 65% of Teachers and Administrators and 20% of the Support Staff are assumed to elect coverage.

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 10 – Other Post-Employment Benefits - continued

#### SINGLE EMPLOYER DEFINED BENEFIT PLAN - continued

##### Actuarial Assumptions – continued

Percent Married at Retirement: 20% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

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

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

<u>Medical and Prescription Drug Combined</u>		
<u>Age</u>	<u>Males</u>	<u>Females</u>
45-49	\$ 6,795	\$ 9,814
50-54	\$ 9,003	\$ 11,091
55-59	\$ 10,959	\$ 11,603
60-64	\$ 14,304	\$ 13,330

Retiree Contributions: Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate: 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets: Equal to the Market Value of Assets.

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

Participant Data: Based on census information as of July 2021.

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

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 10 – Other Post-Employment Benefits - continued

#### SINGLE EMPLOYER DEFINED BENEFIT PLAN - continued

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

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

	1% Decrease 3.06%	Discount Rate 4.06%	1% Increase 5.06%
District's Net OPEB Liability	\$ 578,481	\$ 534,336	\$ 492,668

##### Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates.:.

	1% Decrease 3.06%	Current Rate 4.06%	1% Increase 5.06%
District's Net OPEB Liability	\$ 467,203	\$ 534,336	\$ 614,186

#### COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN

##### **Summary of Significant Accounting Policies-Cost Sharing Plan**

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

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 10 – Other Post-Employment Benefits - continued

#### COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN – continued

##### Plan Description and Benefits Provided

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

##### Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

##### Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

##### Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$60,522 for the year ended June 30, 2023.

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 10 – Other Post-Employment Benefits - continued

#### COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN – continued

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

At June 30, 2023, the District reported a liability of \$965,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .0524% which was an increase of .0001% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of -\$2,713. At June 30, 2023, 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	\$ 9,000	\$ 5,000
Changes in assumptions	107,000	228,000
Net difference between projected and actual investment earnings	3,000	-
Changes in proportion	27,000	45,000
Difference between employer contributions and proportionate share of total contributions	4,525	-
Contributions subsequent to the measurement date	60,522	-
	<u>\$ 211,047</u>	<u>\$ 278,000</u>

The \$60,522 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amount
2024	\$ (16,095)
2025	(33,095)
2026	(27,095)
2027	(25,095)
2028	(26,095)
Thereafter	-
	<u>\$ (127,475)</u>

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 10 – Other Post-Employment Benefits—continued

#### COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN - continued

##### Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%
- The discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021, to 4.09% as of June 30, 2022.

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

The following assumptions were used to determine the contribution rate:

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

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 10 – Other Post-Employment Benefits—continued

### COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN - continued

#### Investments

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

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

OPEB - Asset Class	Long-Term	
	Target Allocation	Expected Real Rate of Return
Cash	100.0%	0.5%
	<u>100.0%</u>	

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

#### Discount rate

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

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 10 – Other Post-Employment Benefits—continued

#### COST SHARING MULTIPLE EMPLOYER BENEFIT PLAN - continued

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 964,000	\$ 965,000	\$ 965,000

##### 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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 1,091,000	\$ 965,000	\$ 859,000

#### OPEB plan fiduciary net position

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

## LINE MOUNTAIN SCHOOL DISTRICT

### Notes to the Financial Statements

June 30, 2023

#### Note 11 - Jointly Governed Organizations

The District participates in the Northumberland County Career and Technology Center (NCCTC) which is governed by a joint operating committee. The committee is composed of seven members, two appointed annually from each Mount Carmel and Line Mountain School Districts, and three appointed annually from Shamokin School District. The NCCTC provides vocational and technical education for students of the three-member school districts. Each member school district pays tuition to the NCCTC based upon its relative enrollment percentage at the school. The member school districts approve the budget of the NCCTC.

This joint venture does not meet the criteria for inclusion within the reporting entity because the NCCTC is separately charted from the school districts it serves, its joint operating committee controls the employment of personnel, its joint operating committee has the power to approve all operating expenditures of the NCCTC, and the NCCTC is maintained as a separate operating unit.

For the year ended June 30, 2023, the member school districts and the percentage of tuition received from each member school district were as follows:

Shamokin	52.55%
Mount Carmel	40.92%
Line Mountain	6.53%
	<u>100.00%</u>

The District's share of the joint venture is not determinable. The most recent NCCTC financial information for the year ended June 30, 2023, is available by contacting the Executive Director, Northumberland County Career and Technology Center, Coal Township, PA.

The District made tuition payments, debt service payments and administrative costs payments to NCCTC of \$75,342 for the year ended June 30, 2023. \$2,744 was due from NCCTC at June 30, 2023.

#### Note 12 - Commitments and Contingencies

The District receives federal and state grants and subsidies that are subject to audit and review by the Auditor General. These audits could result in a request for reimbursement by the state for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such reimbursements, if any, will not be significant.

The District is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the District with respect to the various proceedings. However, the District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the District.

At June 30, 2023, the District has various ongoing construction contracts. These agreements have a total contract price of \$974,229, of which \$219,216 is still outstanding at year-end.

# LINE MOUNTAIN SCHOOL DISTRICT

## Notes to the Financial Statements

June 30, 2023

### Note 13 - Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased various insurance policies to safeguard its assets from the risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2023, and the three previous fiscal years, no settlements exceeded insurance coverage.

### Note 14 – Restatement of Net Position

During the year ended June 30, 2023, the following error corrections resulted in adjustments to and restatement of beginning net position and fund net position, as follows:

	Government-Wide		Government Funds		Proprietary Funds
	Governmental Activities		Business-Type Activities		Food Service Fund
	General Fund		General Fund		
7/1/2022, as previously reported	\$ (5,764,454)		\$ 649,635	\$ 8,711,508	\$ 649,635
Error Correction:					
Pension and OPEB	464,738		(464,738)	-	(464,738)
Intergovernmental Receivable	513,215		-	513,215	-
7/1/2022, as restated	<u>\$ (4,786,501)</u>		<u>\$ 184,897</u>	<u>\$ 9,224,723</u>	<u>\$ 184,897</u>

Pension and OPEB – Management determined that a portion of the Pension and OPEB Deferred Outflow of Resources, Liabilities, and Deferred Inflows of Resources should be allocated to the business-type activities. The correction of this error resulted in an increase to governmental activities net position by \$464,738 and a decrease in business-type activities net position by \$464,738 as of July 1, 2022.

Intergovernmental Receivable – Management discovered that the District failed to report intergovernmental revenues in the correct period. As a result, the District underreported intergovernmental receivables at June 30, 2022. The correction of this error resulted in an increase to governmental activities net position and governmental funds fund balance by \$513,215 as of July 1, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LINE MOUNTAIN CHOOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of District's Proportionate Share of the Net Pension Liability**  
**Years Ended June 30,**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.0524%	0.0523%	0.0524%	0.0528%	0.0549%	0.0581%	0.0500%	0.0551%	.0558%
District's Proportionate Share of the Net Pension Liability	\$ 23,296,000	\$ 21,473,000	\$ 25,801,000	\$ 24,701,000	\$ 26,355,000	\$ 28,695,000	\$ 24,778,000	\$ 23,866,000	\$ 22,086,000
District's Covered - Employee Payroll	\$ 7,703,878	\$ 7,409,724	\$ 7,361,079	\$ 7,285,939	\$ 7,396,093	\$ 7,731,819	\$ 6,476,582	\$ 7,094,303	\$ 7,120,584
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	302.39%	289.79%	350.51%	339.02%	356.34%	371.13%	382.58%	336.41%	310.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

**LINE MOUNTAIN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of District's Contributions- Pension Plan**  
**Years Ended June 30,**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 2,768,755	\$ 2,407,492	\$ 2,470,672	\$ 2,441,559	\$ 2,360,074	\$ 2,398,396	\$ 2,286,428	\$ 1,651,871	\$ 1,431,000
Contributions in Relation to the Contractually Required Contribution	2,768,755	2,407,492	2,470,672	2,441,559	2,360,074	2,398,396	2,286,428	1,651,871	1,431,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,703,878	\$ 7,409,724	\$ 7,361,079	\$ 7,285,939	\$ 7,396,093	\$ 7,731,819	\$ 6,476,582	\$ 7,094,303	\$ 7,120,584
Contributions as a Percentage of Covered-Employee Payroll	35.94%	32.49%	33.56%	33.51%	31.91%	31.02%	35.30%	23.28%	20.10%

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

**LINE MOUNTAIN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Single Employer Plan**  
**Years Ended June 30,**

Fiscal Year Ending	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 48,093	\$ 53,899	\$ 39,026	\$ 50,058	\$ 46,548	\$ 47,481
Interest **	16,333	15,149	23,482	23,734	23,855	18,201
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience *	-	(105,869)	-	(86,460)	-	-
Changes of Assumptions *	(186,724)	(21,932)	82,838	(29,810)	717	4,350
Benefit Payments **	(25,409)	(43,158)	(46,308)	(41,438)	(39,027)	(36,645)
Other Changes	-	-	-	-	-	-
Net Change	(147,707)	(101,911)	99,038	(83,916)	32,093	33,387
Total OPEB Liability - Beginning	<u>682,043</u>	<u>783,954</u>	<u>684,916</u>	<u>768,832</u>	<u>736,739</u>	<u>703,352</u>
Total OPEB Liability - Ending	<u><u>\$ 534,336</u></u>	<u><u>\$ 682,043</u></u>	<u><u>\$ 783,954</u></u>	<u><u>\$ 684,916</u></u>	<u><u>\$ 768,832</u></u>	<u><u>\$ 736,739</u></u>
Covered Employee Payroll	\$ 7,565,666	\$ 7,565,666	\$ 7,041,415	\$ 7,041,415	\$ 7,163,551	\$ 7,163,551
Total OPEB Liability as a % of Covered-Employee Payroll	7.06%	9.01%	11.13%	9.73%	10.73%	10.28%

*Changes of Assumptions*

The discount rate changed from 2.28% to 4.06%. The trend assumption was updated.

Assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS experience study.

*Changes of Benefits Terms*

\* - Each year's loss (or gain) is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

\*\* - These figures are based on estimated benefit payments. These amounts may be adjusted for actual benefit payments made during the year.

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

**LINE MOUNTAIN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of District's Proportionate Share of the Net OPEB Liability**  
**Cost Sharing Plan**  
**Years Ended June 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the Net OPEB Liability	0.0524%	0.0523%	0.0524%	0.0528%	0.0549%	0.0581%
District's Proportionate Share of the Net OPEB Liability	\$ 965,000	\$ 1,239,000	\$ 1,132,000	\$ 1,123,000	\$ 1,145,000	\$ 1,184,000
District's Covered-Employee Payroll	\$ 7,703,878	\$ 7,409,724	\$ 7,361,079	\$ 7,285,939	\$ 7,396,093	\$ 7,731,819
District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll	12.53%	16.72%	15.38%	15.41%	15.48%	15.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

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

**LINE MOUNTAIN SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of District's OPEB Contributions**  
**Cost Sharing Plan**  
**Years Ended June 30,**

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 60,522	\$ 56,664	\$ 60,458	\$ 61,478	\$ 60,088	\$ 61,120
Contributions in Relation to the Contractually Required	<u>60,522</u>	<u>56,664</u>	<u>60,458</u>	<u>61,478</u>	<u>60,088</u>	<u>61,120</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 7,703,878	\$ 7,409,724	\$ 7,361,079	\$ 7,285,939	\$ 7,396,093	\$ 7,731,819
Contributions as a Percentage of Covered-Employee Payroll	0.79%	0.76%	0.82%	0.84%	0.81%	0.79%

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

**SUPPLEMENTARY INFORMATION**

**LINE MOUNTAIN SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Granter/Pass Through Grantor/ Program Title	Federal AL Number	Funding Code	Pass Through Grantors Number	Grant Period Beginning/Ending Date	Program or Award Source Code	Total Received For Year	Accrued Or (Deferred)		Accrued Or (Deferred)							
							Revenue July 1, 2022	Revenue Recognized	Expenditures	Revenue June 30, 2023						
<b>U.S. DEPARTMENT OF EDUCATION</b>																
Passed Through Pennsylvania Department of Education:																
Title I Grants to Local Educational Agencies	84.010	I	013-23-0229	7/1/22-9/30/23	F	\$ 348,418	\$ 223,833	\$ -	\$ 305,827	\$ 305,827						
Title I Grants to Local Educational Agencies	84.010	I	013-22-0229	7/1/21-9/30/22	F	372,360	26,597	292,569	-	265,972						
Total Title I Grants to Local Educational Agencies						250,430	292,569	305,827	305,827	347,966						
Title II Supporting Effective Instruction State Grants	84.367	I	020-23-0229	7/1/22-9/30/23	F	41,954	41,920	-	41,954	41,954						
Title II Supporting Effective Instruction State Grants	84.367	I	020-22-0229	7/1/21-9/30/22	F	50,934	3,638	40,019	-	36,381						
Total Title II Supporting Effective Instruction State Grants						45,558	40,019	41,954	41,954	36,415						
Title IV Student Support and Academic Enrichment Grants	84.424	I	144-23-0229	7/1/22-9/30/23	F	29,217	7,952	-	29,217	29,217						
Title IV Student Support and Academic Enrichment Grants	84.424	I	144-22-0229	7/1/21-9/30/22	F	26,183	1,870	20,572	-	18,702						
Total Title IV Student Support and Academic Enrichment Grants						9,822	20,572	29,217	29,217	39,967						
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	I	200-21-0229	3/13/20-9/30/23	F	1,285,703	1,136,203	1,136,203	-	-						
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ARP)	84.425U	I	223-21-0229	3/13/20-9/30/24	F	2,600,605	803,823	135,031	1,636,287	1,636,287						
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ARP)	84.425U	I	225-21-0229	3/13/20-9/30/24	F	202,126	191,101	106,307	20,036	(64,758)						
COVID-19 - Elementary and Secondary School Emergency Relief Fund- Homeless Children and Youth (ARP)	84.425W	I	181-21-2228	7/1/21-9/30/24	F	8,379	7,734	6,318	1,416	1,416						
Total COVID-19 - Elementary and Secondary School Emergency Relief Fund						2,138,861	1,383,859	1,657,739	1,657,739	902,737						
Total Passed Through Pennsylvania Department of Education:						2,444,671	1,737,019	2,034,737	2,034,737	1,327,085						
Passed Through Central Susquehanna Intermediate Unit																
Special Education - Grants to States-IDEA Part B	84.027	I	062-23-0016	7/1/22-9/30/23	F	193,750	116,036	-	193,750	193,750						
Special Education - Grants to States-IDEA Part B	84.027	I	062-22-0016	7/1/21-9/30/22	F	184,041	42,513	42,513	-	-						
COVID-19 - Special Education - Grants to States (SECIM)	84.027X	I	062-22-0016	7/1/21-9/30/22	F	38,673	38,673	-	-	-						
Total COVID-19 - Special Education - Grants to States						197,222	81,186	193,750	193,750	77,714						
Special Education—Preschool Grants (IDEA Preschool)	84.173	I	131-23-0016	7/1/22-6/30/23	F	577	577	-	577	577						
Special Education—Preschool Grants (IDEA Preschool)	84.173	I	131-22-0016	7/1/21-6/30/22	F	2,116	2,116	2,116	-	-						
Total Special Education—Preschool Grants (IDEA Preschool)						2,693	2,116	577	577	-						
Total Passed Through Central Susquehanna Intermediate Unit						199,915	83,302	194,327	194,327	77,714						
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						<b>2,644,586</b>	<b>1,820,321</b>	<b>2,229,064</b>	<b>2,229,064</b>	<b>1,404,799</b>						

**LINE MOUNTAIN SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards - continued**  
**Year Ended June 30, 2023**

Federal Granter/Pass Through Grantor/ Program Title	Federal AL Number	Funding Code	Pass Through Grantors Number	Grant Period Beginning/Ending Date	Program or Award Source Code	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2022	Accrued Or (Deferred) Revenue Recognized	Accrued Or (Deferred) Revenue Expenditures	Accrued Or (Deferred) Revenue June 30, 2023
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
<b>Passed Through Pennsylvania Department of Education</b>										
State Pandemic Electronic Benefit Transfer (P-EBT)										
Administrative Costs	10.649	I	N/A	7/1/22-6/30/23	F	N/A	628	-	628	628
National School Lunch Program (NSLP)	10.555	I	N/A	7/1/22-6/30/23	F	N/A	288,843	-	288,843	288,843
National School Lunch Program (NSLP)	10.555	I	N/A	7/1/21-6/30/22	F	N/A	55,229	55,229	-	-
National School Lunch Program (NSLP) Supply Chain Assistance	10.555	I	N/A	7/1/22-6/30/23	F	N/A	35,037	-	35,037	35,037
Total National School Lunch Program (NSLP)							379,109	55,229	323,880	323,880
School Breakfast Program (SBP)	10.553	I	N/A	7/1/22-6/30/23	F	N/A	89,090	-	89,090	89,090
School Breakfast Program (SBP)	10.553	I	N/A	7/1/21-6/30/22	F	N/A	19,165	19,165	-	-
Total National Breakfast Program (SBP)							108,255	19,165	89,090	89,090
<b>Total Passed Through Pennsylvania Department of Education</b>							487,992	74,394	413,598	413,598
<b>Passed Through Pennsylvania Department of Agriculture</b>										
National School Lunch Program (NSLP) USDA Commodities	10.555	I	N/A	7/1/22-6/30/23	F	N/A	48,827	(9,737)	50,791	50,791
<b>Total Passed Through Pennsylvania Department of Agriculture</b>							48,827	(9,737)	50,791	50,791
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>							536,819	64,657	464,389	464,389
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>							\$ 3,181,405	\$ 1,884,978	\$ 2,693,453	\$ 2,693,453
Child Nutrition Cluster (Assistance Listing Numbers - 10.553 and 10.555)							\$ 536,191	\$ 64,657	\$ 463,761	\$ 463,761
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)							\$ 199,915	\$ 83,302	\$ 194,327	\$ 194,327
Education Stabilization Fund Cluster (Assistance Listing Number - 84.425)							\$ 2,138,861	\$ 1,383,859	\$ 1,657,739	\$ 1,657,739
<b>Funding Codes</b>										
D=Direct Funding										
I=Indirect Funding										
<b>Source Codes</b>										
F=Federal Funding										
S=State Funding										

See notes to the Schedule of Expenditures of Federal Awards

**LINE MOUNTAIN SCHOOL DISTRICT**  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2023

Note 1 – Basis of Presentation

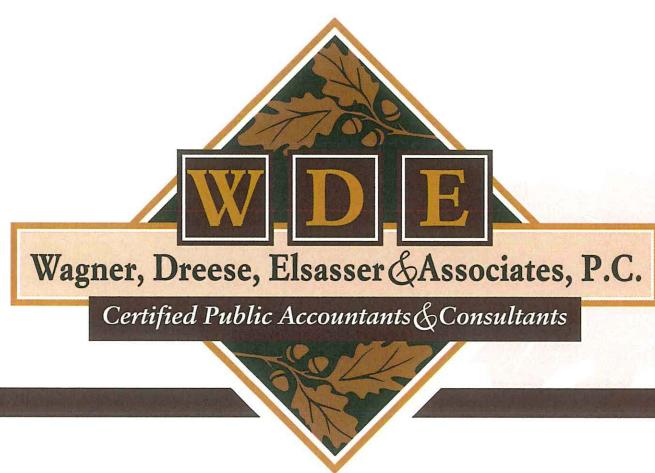
The accompanying schedule of expenditures of federal awards includes the federal grant activity of Line Mountain School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – USDA Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District had \$7,773 food commodities in inventory.

Note 3 – Indirect Cost Rate

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



**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***

Members of the Board  
Line Mountain School District  
Herndon, PA

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 Line Mountain School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Line Mountain School District's basic financial statements, and have issued our report thereon dated December 19, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Line Mountain 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 Line Mountain School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Line Mountain 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Line Mountain 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*.

### **Line Mountain School District's Response to Findings**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

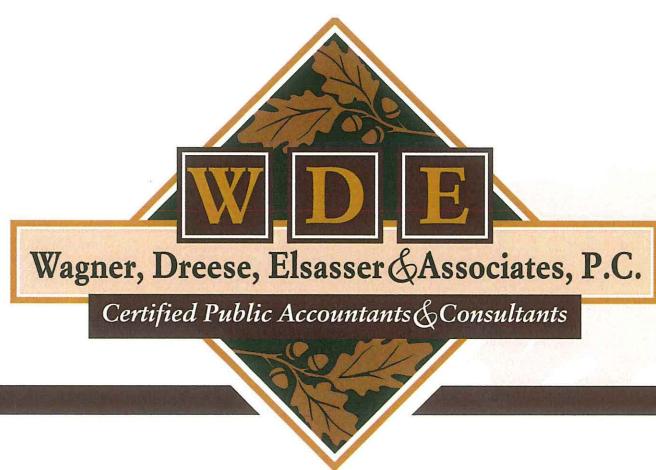


**WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.**

*Certified Public Accountants & Consultants*

Selinsgrove, PA

December 19, 2025



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

Members of the Board  
Line Mountain School District  
Herndon, PA

### Report on Compliance for Each Major Federal Program

### Opinion on Each Major Federal Program

We have audited Line Mountain 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 Line Mountain School District's major federal programs for the year ended June 30, 2023. Line Mountain 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, Line Mountain School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain 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 Line Mountain 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.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-02, 2023-03, 2023-04. Our opinion on each major federal program is not modified with respect to these matters.

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

## Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-02, 2023-03, and 2023-04 to be material weaknesses.

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 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.

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

The 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.



WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants & Consultants

Selinsgrove, PA

December 19, 2025

**LINE MOUNTAIN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified Opinion

Internal Control over Financial Reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal Control over Major Programs:

Material weakness(es) identified?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported

Type of Auditor's Report Issued on Compliance for Major Program: Unmodified Opinion

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)

Yes  No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.425	Education Stabilization Fund

Dollar Threshold used to Distinguish Between Type A and Type B Programs:

\$750,000

Auditee Qualified as Low - Risk Auditee:

Yes  No

**LINE MOUNTAIN SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

**Section II – Financial Statement Findings**

**2023-1 – Reconciliation of Accounts**

**Criteria:** Timely reconciliation of significant asset and liability accounts is key to ensuring that revenues, expenses/expenditures and transfers are properly recorded. Timely reconciliations reduce the risk that errors will go undetected and/or uncorrected.

**Condition:** During our audit, we noted a number of accounts that were not properly reconciled or not reconciled timely and required material adjustments to properly state account balances.

**Cause:** Transactions were not recorded in the period of benefit and account reconciliations were not performed in a timely manner.

**Effect:** Failure to complete timely and accurate reconciliations could result in undetected and/or uncorrected errors in account balances and financial reports.

**Recommendation:** The District should review and revise, where necessary, its year-end closing procedures to ensure revenues, expenditures and balance sheet accounts are complete and accurate. Account reconciliations should be prepared in a timely manner, and all necessary closing adjustments should be recorded prior to the start of audit fieldwork.

**Views of Responsible Officials:** Management is in agreement with the finding.

**LINE MOUNTAIN SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

**Section III – Federal Award Findings and Questioned Costs**

2023-2 – Reporting

Education Stabilization Fund - AL #84.425  
U.S. Department of Education  
Pass-Through Entity - Pennsylvania Department of Education

**Criteria:** The Pennsylvania Department of Revenue requires Reconciliation of Cash on Hand Quarterly Reports to be filed by the 10th working days of after each quarter. Additionally, a final expenditure report is required to be filed within 30 days after funds are expended, but no later than 30 days after the ending date of the project. Districts are required to have appropriate controls over the accuracy of preparation and timely filing of these reports.

**Condition:** The District filed the Reconciliation of Cash on Hand Quarterly Report for Grant # 223-21-0229 after the 10-day requirement for the quarters ending September 30, March 31, and June 30 of fiscal year 2023. Additionally, The District was unable to provide support to tie the reported expenditures back to their general ledger.

The District did not file any of the required Reconciliation of Cash on Hand Quarterly Reports for Grant #225-21-0229 and Grant #181-21-2228 during fiscal year 2023.

Also, the District did not file the required final expenditure report for Grant #181-21-2228 even though all funds were expended during fiscal year 2023.

**Cause:** The District's internal controls and review process were not operating as designed. As a result of a lack of effective review, expenditures were not reported on a cumulative basis on the Reconciliation of Cash on Hand Quarterly Reports.

**Effect:** The District is not in compliance with the reporting requirements of the program, which could potentially lead to withholding of grant funds by the granting agency.

Questioned Costs: None

**Recommendation:** We recommend that the District strengthen internal controls over grant reporting to ensure all required Reconciliation of Cash on Hand Quarterly Reports and final expenditure reports are prepared accurately and submitted timely in accordance with grant requirements. The District should implement a formal review and monitoring process and provide training to staff responsible for grant reporting to ensure ongoing compliance.

**Views of Responsible Officials:** Management is in agreement with the finding.

**LINE MOUNTAIN SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2023**

**Section III – Federal Award Findings and Questioned Costs**

**2023-3 – Equipment and Real Property Management**

Education Stabilization Fund - AL #84.425

U.S. Department of Education

Pass-Through Entity - Pennsylvania Department of Education

Criteria: In accordance with 2 CFR part 200.439, capital expenditures for equipment with a per-unit cost of \$5,000 are allowable as direct costs, but only with the prior written approval of the Federal agency or pass-through entity. Additionally, 2 CFR section 200.313(d)(1) requires that property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, cost of the property.

Condition: During our testing, we noted that the District acquired four individual pieces of equipment over the \$5,000 threshold to be used in the STEAM/CNC Lab without receiving prior approval from the Pennsylvania Department of Education. Additionally, we noted one instance of the District not including all required information on their property records.

Cause: The prior approval process of ARP ESSER Funds occurred during the grant application process; however, the specific equipment needs for the STEAM/CNC Lab were not identified at that time. Due to an oversight by the District, at the time of purchase, they did not consider the need to request prior approval from the Pennsylvania Department of Education.

Effect: Internal controls are not functioning as designed, and the District is not in compliance with the equipment and real property management requirements of the program.

Questioned Costs: None

Recommendation: We recommend that the District implement procedures to ensure prior written approval is obtained for applicable equipment purchases funded by federal grants and that fixed asset records include all required information in accordance with Uniform Guidance. The District should also provide appropriate training to personnel involved in grant purchasing and asset management to ensure ongoing compliance.

Views of Responsible Officials: Management is in agreement with the finding.

**LINE MOUNTAIN SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

**Section III – Federal Award Findings and Questioned Costs**

2023-4 – Activities Allowed

Education Stabilization Fund - AL #84.425  
U.S. Department of Education  
Pass-Through Entity - Pennsylvania Department of Education

Criteria: In accordance with 2 CFR part 200.303, the District is required to establish and maintain effective internal control over the Federal award that provides reasonable assurance that they are in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: During our testing, we noted that 3 of the 60 payroll transactions selected for testing did not have sufficient audit evidence to demonstrate the District was following their internal control processes.

Cause: Due to an oversight by the staff, there was one instance of a supervisor not providing appropriate approval on a timecard. Additionally, there was one instance of a clerical error made by the Business Office that resulted in a variance in the hours paid compared to the hours worked. The third exception was due to the District not being able to provide sufficient documentation/timecard to support the wages charged to the grant.

Effect: The internal controls implemented by the District were not operating effectively.

Questioned Costs: None

Recommendation: We recommend that the District strengthen internal controls over payroll charged to Federal awards by ensuring required approvals are obtained and review processes occur. Additionally, the District should review their record retention policy to ensure sufficient supporting documentation is retained to demonstrate compliance with Federal requirements.

Views of Responsible Officials: Management is in agreement with the finding.

**LINE MOUNTAIN SCHOOL DISTRICT**  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2023

There were no findings or questioned costs for the prior year ended June 30, 2022.

# Line Mountain School District

Mr. David M. Campbell, Superintendent of Schools  
185 Line Mountain Road, Herndon, PA 17830  
Superintendent's Office: 570-758-2640  
Business Office: 570-758-2645 Fax: 570-758-2842

Amy Dunn  
Director of Special Education

Dwain Messersmith  
Secondary School Principal

Christine Kent  
Principal/Director of Curriculum

Brad Shrum  
School Psychologist

William Callahan  
Secondary School Principal

Kyrie Ciborowski  
Elementary Principal

Kaitlin Rosselli  
Business Manager

Todd Ayers  
Middle School Principal

Jill Yisrael  
Athletic Director



**EAGLE PRIDE**

**“Education to prepare all students for life.”**

## Corrective Action Plan

December 19, 2025

### Department of Education

Line Mountain School District respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

Wagner, Dreese, Elsasser & Associates, P.C.  
1372 North Susquehanna Trail, Suite 210  
Selinsgrove, PA 17870

Audit Period: July 1, 2022 through June 30, 2023

The findings from the June 30, 2023 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## Section II – Financial Statement Findings

### Finding 2023-1 – Reconciliation of Accounts

Contact Person: Kaitlin M. Rosselli, Business Manager

Recommendation: The District should review and revise, where necessary, its year-end closing procedures to ensure revenues, expenditures and balance sheet accounts are complete and accurate. Account reconciliations should be prepared in a timely manner, and all necessary closing adjustments should be recorded prior to the start of audit fieldwork.

### **Finding 2023-1 – Reconciliation of Accounts** – (continued)

Action: The District continues to work to improve the year end close out and reconciliation process. This includes ensuring revenues, expenditures, and balance sheet accounts are complete and accurate, and closing entries are made where needed. Account reconciliations will be prepared in a more timely manner and closing entries will be made prior to the start of fieldwork from auditors.

Date for Completion: These steps have already been put into place and will continue to be built upon.

### **Section III – Federal Award Findings and Questioned Costs**

#### **Finding 2023-2 –Reporting**

Contact Person: Kaitlin M. Rosselli, Business Manager

Recommendation: We recommend that the District strengthen internal controls over grant reporting to ensure all required Reconciliation of Cash on Hand Quarterly Reports and final expenditure reports are prepared accurately and submitted timely in accordance with grant requirements. The District should implement a formal review and monitoring process and provide training to staff responsible for grant reporting to ensure ongoing compliance.

Action: The District Office will work directly with the Federal Programs Coordinator to ensure more timely submissions of Reconciliation of Cash on Hand Quarterly Reports and Final Expenditure Reports are prepared accurately and submitted timely in accordance with grant requirements. The Business Manager will do this by creating reminders on the Business Manager's calendar that include due dates each quarter and reminding the Federal Programs Coordinator when their respective reports are due. The District will implement and form a review and monitoring process and provide any necessary training to staff responsible for grant reporting to ensure ongoing compliance.

Date for Completion: These steps have already been put into place and will continue to be built upon.

#### **2023-3 –Equipment and Real Property Management**

Contact Person: Kaitlin M. Rosselli, Business Manager

Recommendation: We recommend that the District implement procedures to ensure prior written approval is obtained for applicable equipment purchases funded by federal grants and that fixed asset records include all required information in accordance with Uniform Guidance. The District should also provide appropriate training to personnel involved in grant purchasing and asset management to ensure ongoing compliance.

### **2023-3 –Equipment and Real Property Management – (continued)**

Action: ARP-ESSER III was the first time the District purchased equipment over the \$5,000 threshold with federal funding, so processes and procedures for doing so were not in place at the time of the purchases. In the future, the District will implement procedures to ensure written approval is obtained for applicable equipment purchases funded by federal grants prior to purchasing. We will also provide appropriate training to personnel involved in grant purchasing and asset management to ensure ongoing compliance.

Date for Completion: These steps have already been put into place and will continue to be built upon.

### **2023-4 –Activities Allowed**

Contact Person: Kaitlin M. Rosselli, Business Manager

Recommendation: We recommend that the District strengthen internal controls over payroll charged to Federal awards by ensuring required approvals are obtained and review processes occur. Additionally, the District should review their record retention policy to ensure sufficient supporting documentation is retained to demonstrate compliance with Federal requirements.

Action: The District will ensure that all payroll timecards are approved and signed by the appropriate supervisor before being processed for payment. The payroll clerk will not process the timecard unless it is signed and approved. Additionally, we will review the District's record retention policy to ensure sufficient supporting documentation is retained to demonstrate compliance with Federal requirements. The District will thoroughly review timecards to avoid clerical errors in the future.

Date for Completion: These steps have already been put into place and will continue to be built upon.

If the Department of Education has questions regarding this plan, please call Kaitlin Rosselli, Business Manager at 570-758-2640 ext. 6017.

Sincerely yours,



Kaitlin Rosselli  
Business Manager