



KARNS CITY AREA SCHOOL DISTRICT

KARNS CITY, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
SCHOOL YEAR ENDED JUNE 30, 2024



Cypher & Cypher

Accountants | Auditors | Advisors

KARNS CITY AREA SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS – REQUIRED SUPPLEMENTARY INFORMATION	i-vii
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET VS ACTUAL – GENERAL FUND	7
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS	9
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	10
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	11
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	12
NOTES TO THE BASIC FINANCIAL STATEMENTS	13-43

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY 44

SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY 45

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION 46

SCHEDULE OF EMPLOYER PREMIUM ASSISTANCE CONTRIBUTIONS – OPEB 47

SUPPLEMENTARY INFORMATION

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 48-49

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 50-52

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 53-54

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 55-56

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 57

Independent Auditor's Report

To the Board of School Directors
Karns City Area School District
Karns City, Pennsylvania

Ladies and Gentlemen:

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 Karns City Area School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Karns City Area 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 Karns City Area School District, as of June 30, 2024, 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 Karns City Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from 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 Karns City Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Karns City Area School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the supplementary pension and OPEB schedules on

pages i-vii and 44-47 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 Karns City Area School District's basic financial statements. The accompanying 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2025, on our consideration of Karns City Area 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 Karns City Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Karns City Area School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

Cypher & Cypher

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
February 12, 2025

Management's Discussion & Analysis

Our discussion and analysis of Karns City Area School District’s financial performance provides an overview of the school district financial activities for the fiscal year ended June 30, 2024. The MD&A should be read in conjunction with the financial statements and footnotes.

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

THE SCHOOL DISTRICT

The Karns City Area School District is a school district of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”).

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District headed by the Superintendent of Schools, who is appointed by the Board of School Directors.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year’s operations:

- General fund balance has been increased from \$8,690,713 to \$9,257,603. The overall increase is the result of revenues ending higher than budget amounts.
- Real Estate Tax millage increases will be needed to cover future inflationary costs, escalating retirement costs, and declining state and federal revenues. The District has the second lowest tax millage rate in Butler County and one of the lowest rates in Armstrong and Clarion Counties.

Revenues: The School District’s general fund received 68.6 percent of its funding from state and federal sources and 31.4 percent from local sources. Basic instructional state subsidy continues to be the primary source of revenue for the general fund. Local Real Estate Tax is the second most significant revenue source funding general fund operations. It is likely that annual millage rates may need to increase due to state revenues not keeping pace with increased costs. In addition, outside placements of students as well as unfunded mandates such as cyber charter school put an increased burden on the local taxpayers. Because the financial health of the local economy is heavily dependent on several major employers, it may or may not perform as well as many communities.

Program revenues by major source can be noted on the Statement of Activities of the audited financial statements (page v).

Expenditures: Total general fund spending for 2023-2024 was \$26.83 million for the year. Instructional programs expended \$13.71 million, or 51.12 percent of all general fund spending.

Actual general fund expenditures were 105.1 percent of budgeted expenditures for the year excluding fund transfers, largely a result of the ESSER federal programs being run through the general fund. Actual spending by function category was as follows:

	2023-2024 <u>Expenses</u>	<u>Percentage</u>
Instructional	\$ 13,715,334	51.12
Students Services	1,541,613	5.75
Instructional Staff Services	1,026,519	3.83
Administrative Services	1,481,507	5.52
Pupil Health Services	299,667	1.12
Business Services	489,844	1.83
Operation and Maintenance of Plant	2,164,924	8.07
Student Transportation	2,206,182	8.22
Capital Outlay	1,967,723	7.33
Other Support Services	12,592	.04
Student Activities	696,465	2.60
Debt Service	1,223,630	4.56
Other Financing Uses	<u>2,063</u>	<u>0.01</u>
	\$ 26,828,063	100.00

Explanation of Category Content:

Instructional Staff Services – general instruction, library, computer services, curriculum and staff development

Students – guidance, psychological and other related services

Administrative Services – school board, tax collection, legal, superintendent, and building administration

Business Services – fiscal administration and risk management

Operation and Maintenance of Plant – building and grounds, maintenance, utilities, energy, and security services

Student Transportation – conveyance of students

Other Support Services – Midwestern Intermediate Unit IV administrative operation funding

Student Activities – Co-curricular student activities, including interscholastic athletics

Debt Service – payment of principal and interest on outstanding bonds and other debt obligations

Financial Analysis of the Governmental Funds

The following table reflects changes in fund balance of the District’s various funds. These amounts represent a short-term view of the District’s finances.

	General Fund	Capital Projects Fund	Proprietary Activities
June 30, 2023	\$ 8,690,713	\$ 23,293,163	\$ 2,471,201
Increase (Decrease)	566,890	(11,735,634)	433,453
June 30, 2024	\$ 9,257,603	\$ 11,557,529	\$ 2,904,654

Overview of Financial Statements

The basic financial statements comprise three components:

- ✓ Management’s Discussion & Analysis
- ✓ The Financial Statements
- ✓ Notes & Required Supplementary Information

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the governmental and business-type activities that are consolidated in columns, which add to a total for the Primary Government. The focus of the Statement of Net Position is designed to be similar to bottom line results for the District and its governmental and business-type activities. This statement combines the governmental fund’s current financial resources, capital assets and long-term obligations. The difference between the District’s assets and liabilities are one way to measure the District’s financial health or position.

The Statement of Activities is focused on both the gross and net costs of various functions, which are supported by the government’s charges for services, program revenues, Federal and state subsidies, contributions and capital grants. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This

statement is intended to summarize and simplify the user's analysis of cost of various governmental services provided.

The following table reflects the condensed Statement of Net Position:

STATEMENT OF NET POSITION
as of June 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Current and Other Assets	\$ 36,665,615	\$ 25,226,062	\$ 2,384,634	\$ 2,569,163	\$ 39,050,249	\$ 27,795,225
Non Current Assets	14,967,370	29,241,093	126,404	442,318	15,093,774	29,683,411
Deferred Outflows	5,764,921	6,098,714			5,764,921	6,098,714
Total Assets & Deferred Outflows	57,397,906	60,565,869	2,511,038	3,011,481	59,908,944	63,577,350
Current and Other Liabilities	5,395,591	5,120,532	39,837	106,827	5,435,428	5,227,359
Non Current Liabilities	60,342,740	59,079,213			60,342,740	59,079,213
Deferred Inflows	4,458,713	4,179,690			4,458,713	4,179,690
Total Liabilities & Deferred Inflow:	70,197,044	68,379,435	39,837	106,827	70,236,881	68,486,262
Net Investment in Capital Assets	10,917,136	12,488,943	126,404	442,318	11,043,540	12,931,261
Restricted	5,094,476	6,658,613	1,795,186	1,866,379	6,889,662	8,524,992
Unrestricted	(28,810,750)	(26,961,122)	549,611	595,957	(28,261,139)	(26,365,165)
Total Net Position	\$ (12,799,138)	\$ (7,813,566)	\$ 2,471,201	\$ 2,904,654	\$ (10,327,937)	\$ (4,908,912)

Assets, Liabilities and Net Position

Total assets and deferred outflows for the period ending June 30, 2024 were \$63,577,350 with cash and investments representing 39.8% of that total.

The value of capital assets included in non-current assets total \$67,590,900, with accumulated depreciation of \$38,696,398 resulting in net capital assets of \$28,894,502.

Primary liabilities of the District include a net pension liability of \$30,348,100, Other Post Employment Benefit (OPEB) liabilities totaling \$7,496,119, and accrued salaries and benefits of \$2,399,233. These liabilities accompanied with total assets have resulted in net position of a deficit \$(4,908,912).

The total net position of the District is comprised of three components. The net investment in capital assets totals \$12,931,261 restricted net position totals \$8,524,992, and unrestricted net position totals \$(26,365,165).

Statement of Activities

The following schedule discloses the revenues and expenses for the current period:

STATEMENT OF ACTIVITIES as of June 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Program Revenues:						
Charges for Services	\$ 382,010	\$ 325,144	\$ 332,546	\$ 206,758	\$ 714,556	\$ 531,902
Operating Grants and Contributions	8,140,880	9,427,117	983,087	975,615	9,123,967	10,402,732
General Revenues:						
Property Taxes	5,955,046	6,200,685			5,955,046	6,200,685
Other Taxes	1,438,626	1,365,266			1,438,626	1,365,266
Grants Subsidies and Contributions	10,252,525	10,613,473			10,252,525	10,613,473
Other	1,056,555	1,088,176	52,080	398,149	1,108,635	1,486,325
	<u>27,225,642</u>	<u>29,019,861</u>	<u>1,367,713</u>	<u>1,580,522</u>	<u>28,593,355</u>	<u>30,600,383</u>
Expenditures:						
Depreciation	494,238	494,560			494,238	494,560
Instruction	12,490,268	12,515,164			12,490,268	12,515,164
Instructional Student Support	2,535,194	2,720,554			2,535,194	2,720,554
Administrative and Financial Support	1,959,745	1,893,035			1,959,745	1,893,035
Operation and Maintenance of Plant	2,731,565	2,224,642			2,731,565	2,224,642
Pupil Transportation	2,415,667	2,206,182			2,415,667	2,206,182
Student Activities	629,852	657,286			629,852	657,286
Debt Service	823,812	995,910			823,812	995,910
Food Service			1,121,182	1,147,069	1,121,182	1,147,069
Other		326,956				326,956
	<u>24,080,341</u>	<u>24,034,289</u>	<u>1,121,182</u>	<u>1,147,069</u>	<u>25,201,523</u>	<u>25,181,358</u>
Change in Net Position	<u>\$ 3,145,301</u>	<u>\$ 4,985,572</u>	<u>\$ 246,531</u>	<u>\$ 433,453</u>	<u>\$ 3,391,832</u>	<u>\$ 5,419,025</u>

FUTURE ECONOMIC FACTORS

Capital Improvement Plan

The District has maintained its facilities with funding through the Capital Reserve Fund as well as the General Fund. The District's ongoing expectation of deferred capital outlay for the newly completed facility would remain as it would be fully renovated by the conclusion of the 2024-2025 school year. The consolidation of elementary schools will permit the District to seek opportunities to utilize Sugar Creek Elementary possibly in a way to generate revenue, while reducing the cost associated with operation. With that expectation, the District can prioritize capital projects at the Karns City High School location until further work can be evaluated. The District has made an effort, and will continue to focus on mechanical maintenance, as well as maintaining up to date technology in the learning space.

Debt Administration

The following table reflects the District's long-term debt obligations:

<u>Authority Obligations</u>	<u>Bonds Payable</u>	<u>Retirement Obligations</u>	<u>Pension Liability</u>	<u>Total</u>
\$ 523,198	\$20,990,972	\$7,912,377	\$30,348,100	\$59,774,647

The District issued the Series of 2021 Bonds during the 20/21 school year for the purpose of funding the Chicora Elementary School additions and renovations project. The Authority obligations with the Vo-Tech were refinanced in the 15/16 year and then again in the 20/21 school year. The most recent refinance that was settled in May 2021 resulted in a reduced payment for both the 20/21 year and the subsequent 21/22 year. Bond payments for the Vo-Tech will return to the increased amount in the 23/24 school year. The retirement obligations include the amounts for GASB Statement #75, which was implemented in the 17/18 year. The District initiated a bond issuance in May of 2021 to fund the estimated \$21.5 million project at Chicora Elementary. The bond was issued at this time to take advantage of the then current favorable rate environment. Repayment will be over a 30 year term, with the first two years' payments being interest only, and fully amortizing thereafter. Funds will be used for expenses related to the Chicora Elementary renovation and consolidation, with the option to reimburse the District for costs incurred prior to issuance, if applicable.

Pennsylvania School Employees' Retirement System Crisis

It is anticipated that the fund will require increased contributions from the school systems within the State. While small decreases are noted in the required contribution rates for the 23/24 and 24/25 years, long term projections from the retirement system have indicated that the rate to school systems will increase to an ultimate peak of 38.51% in 2032-2033. The most recent projections indicate that this will result in an estimated net increase of more than \$150,000 per year in retirement contributions from the District.

Technology

Karns City Area School District had invested several million dollars to acquire technology in the form of equipment, software, and infrastructure. BluChip Solutions, Inc. is the current contractor who provides the District with technology staffing and support services. These technology services are contracted through June 30, 2027. The District was in receipt of Federal grant funds in the 2019-2020 school year, which were utilized to purchase additional Chromebooks. As a result of these funds, the District achieved its goal of having at least one Chromebook for each student enrolled in the District. In addition, the District continues to outfit the classrooms with updated interactive boards to improve the educational environment. Attempts to provide budgeted funds for replacement and upgrade of this technology in an effort to remain reasonably current have been very

successful. Future technology expenditures must be closely scrutinized due to funding constraints.

Revenue Uncertainty

Funding for public schools was deeply cut in the 2011-12 state budget and is slowly recovering. As School Districts are faced with lower state funding, pension increases, higher health care costs, no mandate relief and weakened authority to raise revenue due to Act 1 of 2006, prudent financial management and cost savings strategies will be key to the continued positive financial state of the district.

Staffing

The District continues to evaluate the needs of staffing at all points during the year. Staffing shortages, particularly substitutes, has been of concern, as normal school operations have begun to occur. With this consideration in mind, the District continues to make responsible decisions regarding staffing to ensure the smoothest transition of staff at the time in which Sugarcreek Elementary is closed. When resignations or retirements occur, the District evaluates the short term and long term objectives at that time to determine the need for additional staffing. Prudent decision making will continue to be necessary regarding staffing until the District's facilities are right-sized to two buildings.

Beginning in January 2025, the District will negotiate with the support staff for a renewal contract, which is set to expire June 30, 2025.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors, and other interested parties with a general overview of the school board's finances and to illustrate the school board's accountability for the funds it receives. Questions concerning this report or a request for additional information should be addressed to Mr. Evan McGarvey, Director of Business Affairs for the Karns City Area School District, 1446 Kittanning Pike, Karns City, PA 16041, telephone number (724) 756-2030, ext.1014.

Basic Financial Statements

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 12,091,788	\$ 1,782,874	\$ 13,874,662
Investments	10,747,818	670,817	11,418,635
Taxes Receivable (Net)	422,829		422,829
State Revenue Receivable	1,235,841		1,235,841
Federal Revenue Receivable	609,859		609,859
Internal Balances	(91,011)	91,011	
Other Receivables	18,828	20	18,848
Inventories		22,312	22,312
Prepaid Expenses/Expenditures	190,110	2,129	192,239
Long Term Receivables	28,988		28,988
Investment in Joint Venture	652,013		652,013
Right to Use Intangible Asset	107,908		107,908
Capital Assets (net)	28,452,184	442,318	28,894,502
TOTAL ASSETS	54,467,155	3,011,481	57,478,636
DEFERRED OUTFLOWS OF RESOURCES			
Pension and OPEB Related	6,098,714		6,098,714
Total Deferred Outflows of Resources	6,098,714		6,098,714
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 60,565,869	\$ 3,011,481	\$ 63,577,350
LIABILITIES			
Accounts Payable	\$ 1,677,118	\$ 56,004	\$ 1,733,122
Accrued Salaries and Benefits	2,399,233	26,874	2,426,107
Interest Payable	226,222		226,222
Unearned Revenue	9,579	23,949	33,528
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable - Net of Related Premiums/Discounts	420,000		420,000
Authority Lease Obligations	27,297		27,297
Lease Liability	103,197		103,197
OPEB Obligation	257,886		257,886
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	20,570,972		20,570,972
Authority Lease Obligations	495,901		495,901
Lease Liability	9,749		9,749
Net Pension Liability	30,348,100		30,348,100
OPEB - Health Insurance Premium Share Liability	1,232,200		1,232,200
Compensated Absences	158,372		158,372
OPEB Obligation	6,263,919		6,263,919
Total Liabilities	64,199,745	106,827	64,306,572
DEFERRED INFLOWS OF RESOURCES			
Long Term Receivables	28,988		28,988
Pension and OPEB Related	4,150,702		4,150,702
Total Deferred Inflows of Resources	4,179,690		4,179,690
NET POSITION			
Net Investment in Capital Assets	12,488,943	442,318	12,931,261
Restricted for:			
Capital Projects	6,658,613		6,658,613
Retirement Obligations		1,195,562	1,195,562
Risk Management		670,817	670,817
Unrestricted	(26,961,122)	595,957	(26,365,165)
TOTAL NET POSITION	(7,813,566)	2,904,654	(4,908,912)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 60,565,869	\$ 3,011,481	\$ 63,577,350

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Depreciation - Unallocated	\$ 494,560	\$	\$	\$ (494,560)	\$	\$ (494,560)
Instruction	12,515,164	237,445	6,645,586	(5,632,133)		(5,632,133)
Instructional Student Support	2,720,554		292,881	(2,427,673)		(2,427,673)
Administrative and Financial Support	1,893,035		278,099	(1,614,936)		(1,614,936)
Operation and Maintenance of Plant	2,224,642	10,450	660,302	(1,553,890)		(1,553,890)
Pupil Transportation	2,206,182	47,227	1,442,975	(715,980)		(715,980)
Student Activities	657,286	30,022	82,548	(544,716)		(544,716)
Interest on Long-Term Debt	995,910		24,726	(971,184)		(971,184)
Total Governmental Activities	23,707,333	325,144	9,427,117	(13,955,072)		(13,955,072)
Business Type Activities						
Food Service	1,147,069	206,758	975,615		35,304	35,304
Risk Management						
Retirement Obligations						
Total Business Type Activities	1,147,069	206,758	975,615		35,304	35,304
Total Government	\$ 24,854,402	\$ 531,902	\$ 10,402,732	\$ (13,955,072)	\$ 35,304	\$ (13,919,768)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				6,200,685		6,200,685
Other Taxes				1,365,266		1,365,266
Grants, Subsidies and Contributions, Unrestricted				10,613,473		10,613,473
Investment Earnings				1,055,577	71,193	1,126,770
Miscellaneous Income (Expense)				32,599		32,599
Transfers Between Governmental and Business-Type Activities				(326,956)	326,956	
Total General Revenues, Special and Extraordinary Items and Transfers				18,940,644	398,149	19,338,793
Change in Net Position				4,985,572	433,453	5,419,025
Net Position - Beginning				(12,799,138)	2,471,201	(10,327,937)
Net Position - Ending				\$ (7,813,566)	\$ 2,904,654	\$ (4,908,912)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2024

	Governmental Funds		
	General Fund	Capital Projects Fund	Totals
ASSETS			
Cash and Cash Equivalents	\$ 7,623,735	\$ 4,468,053	\$ 12,091,788
Investments (At Fair Value)	3,141,636	7,606,182	10,747,818
Taxes Receivable (Net)	97,829		97,829
Due From Other Funds		1,000,000	1,000,000
State Revenue Receivable	1,235,841		1,235,841
Federal Revenue Receivable	609,859		609,859
Other Receivables (Net)	18,828		18,828
Prepaid Expenditures	190,110		190,110
TOTAL ASSETS	\$ 12,917,838	\$ 13,074,235	\$ 25,992,073
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 1,091,011	\$ 1,516,706	\$ 1,091,011
Accounts Payable	160,412		1,677,118
Accrued Salaries and Benefits	2,399,233		2,399,233
Unearned Revenue	9,579		9,579
Total Liabilities	3,660,235	1,516,706	5,176,941
Fund Balances:			
Nonspendable:			
Prepaid Expenditures	190,110		190,110
Committed to:			
Capital Projects		11,557,529	11,557,529
Unassigned:	9,067,493		9,067,493
Total Fund Balances	9,257,603	11,557,529	20,815,132
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,917,838	\$ 13,074,235	\$ 25,992,073

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Total Fund Balances - Governmental Funds	\$	20,815,132
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$66,572,900 and the accumulated depreciation is \$38,120,716.		28,452,184
Net Investments in Joint Ventures are not financial resources and are not reported as assets in the governmental funds.		652,013
Right to Use Intangible Lease assets are not reported in the governmental funds.		107,908
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.		(20,990,972)
Long-term liabilities, including retirement and compensated absences, are not due and payable in the current period and are not reported as liabilities in the funds.		(7,912,377)
Long-term liabilities, including lease purchase obligations, are not due and payable in the current period and are not reported as liabilities in the funds.		(523,198)
Long-term liabilities, including leases payable, are not due and payable in the current period and are not reported as liabilities in the funds.		(112,946)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.		28,988
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.		(226,222)
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(30,348,100)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the		
Deferred outflows of resources related to pensions and OPEB.		6,098,714
Deferred inflows of resources related to pensions and OPEB.		(4,150,702)
Deferred inflows of resources related to long term receivable for debt payments.		(28,988)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.		325,000
Total Net Position - Governmental Activities	\$	(7,813,566)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Funds		Totals
	General	Capital Projects Fund	
Revenues			
Local Sources			
Taxes	\$ 7,594,771	\$	\$ 7,594,771
Other Local Revenues	1,326,683	655,793	1,982,476
State Sources	17,493,956		17,493,956
Federal Sources	1,979,543		1,979,543
Total Revenues	<u>28,394,953</u>	<u>655,793</u>	<u>29,050,746</u>
Expenditures			
Instruction	13,715,334		13,715,334
Support Services	9,222,848	6,517	9,229,365
Operation Of Non-Instructional Services	696,465		696,465
Capital Outlay	1,967,723	13,057,954	15,025,677
Debt Service			
Principal and Interest	1,223,630		1,223,630
Total Expenditures	<u>26,826,000</u>	<u>13,064,471</u>	<u>39,890,471</u>
Excess (Deficiency) of Revenues Over Expenditures	1,568,953	(12,408,678)	(10,839,725)
Other Financing Sources & (Uses)			
Refund of Prior Year Receipts	(2,063)		(2,063)
Interfund Transfers In		1,000,000	1,000,000
Interfund Transfers (Out)	(1,000,000)	(326,956)	(1,326,956)
Total Other Financing Sources & (Uses)	<u>(1,002,063)</u>	<u>673,044</u>	<u>(329,019)</u>
Net Change in Fund Balances	566,890	(11,735,634)	(11,168,744)
Fund Balances - July 1, 2023	<u>8,690,713</u>	<u>23,293,163</u>	<u>31,983,876</u>
Fund Balances - June 30, 2024	<u>\$ 9,257,603</u>	<u>\$ 11,557,529</u>	<u>\$ 20,815,132</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Total Net Change in Fund Balances - Governmental Funds		\$ (11,168,744)
Depreciation Expense		(494,560)
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		14,873,009
Some delinquent property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.		(28,820)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable.		5,746
Amortization of lease assets and interest expense related to lease liabilities.		(101,776)
Bond Premium and Discount Amortization		62,073
Repayment of lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		129,263
In the statement of activities, compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		(75,748)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		405,000
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	3,596,457	
Cost of benefits earned net of employee contributions	(2,216,328)	1,380,129
Change in Net Position - Governmental Activities		\$ 4,985,572

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Taxes	\$ 7,645,652	\$ 7,645,652	\$ 7,594,771	\$ (50,881)
Other Local Revenues	1,058,488	1,058,488	1,326,683	268,195
State Sources	17,101,321	17,101,322	17,493,956	392,634
Federal Sources	86,400	86,400	1,979,543	1,893,143
Total Revenues	<u>25,891,861</u>	<u>25,891,862</u>	<u>28,394,953</u>	<u>2,503,091</u>
Expenditures				
Instruction				
Regular Programs	11,513,228	11,513,378	11,213,220	(300,158)
Special Programs	1,597,069	1,597,069	1,905,075	308,006
Vocational Education	513,000	513,000	542,569	29,569
Other Instructional Programs	60,000	60,000	32,152	(27,848)
Nonpublic Education			22,318	22,318
Total Instruction	<u>13,683,297</u>	<u>13,683,447</u>	<u>13,715,334</u>	<u>31,887</u>
Support Services				
Students	1,542,048	1,542,048	1,541,613	(435)
Instructional Staff	1,194,481	1,194,481	1,026,519	(167,962)
Administration	1,536,762	1,536,761	1,481,507	(55,254)
Pupil Health	306,510	306,510	299,667	(6,843)
Business	546,111	546,110	489,844	(56,266)
Operation & Maintenance of Plant Services	2,171,321	2,171,175	2,164,924	(6,251)
Student Transportation Services	2,506,504	2,506,504	2,206,182	(300,322)
Other Support Services	15,000	15,000	12,592	(2,408)
Total Support Services	<u>9,818,737</u>	<u>9,818,589</u>	<u>9,222,848</u>	<u>(595,741)</u>
Operation of Non-Instructional Services				
Student Activities	821,741	821,740	696,465	(125,275)
Total Non-Instructional Services	<u>821,741</u>	<u>821,740</u>	<u>696,465</u>	<u>(125,275)</u>
Capital Outlay	92,700	92,700	1,967,723	1,875,023
Debt Service				
Principal and Interest	1,113,150	1,113,150	1,223,630	110,480
Total Expenditures	<u>25,529,625</u>	<u>25,529,626</u>	<u>26,826,000</u>	<u>1,296,374</u>
Excess (Deficiency) of Revenues Over Expenditures	362,236	362,236	1,568,953	1,206,717
Other Financing Sources & (Uses)				
Refund of Prior Year Receipts			(2,063)	(2,063)
Interfund Transfers In				
Interfund Transfers (Out)			(1,000,000)	(1,000,000)
Budgetary Reserve	(362,236)	(362,236)		362,236
Total Other Financing Sources & (Uses)	<u>(362,236)</u>	<u>(362,236)</u>	<u>(1,002,063)</u>	<u>(639,827)</u>
Net Change in Fund Balances		0	566,890	566,890
Fund Balance - July 1, 2023	<u>8,690,713</u>	<u>8,690,713</u>	<u>8,690,713</u>	
Fund Balance - June 30, 2024	<u>\$ 8,690,713</u>	<u>\$ 8,690,713</u>	<u>\$ 9,257,603</u>	<u>\$ 566,890</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2024

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 587,312	\$ -	\$ 1,195,562
Investments		670,817	
Due from Other Funds	91,011		
Other Receivables	20		
Inventories	22,312		
Prepaid Expenses	2,129		
Total Current Assets	702,784	670,817	1,195,562
Noncurrent Assets:			
Food Service Equipment (Net of Depreciation)	442,318		
Total Noncurrent Assets	442,318		
TOTAL ASSETS	\$ 1,145,102	\$ 670,817	\$ 1,195,562
 LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 56,004	\$ -	\$ -
Accrued Salaries and Benefits	26,874		
Unearned Revenue	23,949		
Total Current Liabilities	106,827		
 NET POSITION			
Net Investment in Capital Assets	442,318		
Restricted for:			
Risk Management		670,817	
Retirement Obligations			1,195,562
Unrestricted	595,957		
Total Net Position	1,038,275	670,817	1,195,562
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,145,102	\$ 670,817	\$ 1,195,562

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
Operating Revenues			
Food Service Revenue	\$ 206,758	\$	\$
Total Operating Revenue	206,758		
Operating Expenses			
Personal Services - Salaries	301,152		
Personal Services - Benefits	144,909		
Purchased Property Services	3,990		
Other Purchased Services	70,837		
Supplies	580,915		
Other Objects	34,224		
Depreciation Expense	11,042		
Total Operating Expenses	1,147,069		
Operating Income (Loss)	(940,311)		
Nonoperating Revenues (Expenses)			
Operating Subsidies			
State Subsidies	231,060		
Federal Subsidies			
Lunch and Breakfast Subsidies	683,302		
Value of Donated Commodities Received	61,253		
Earnings on Investments		26,925	44,268
Total Nonoperating Revenue and Expense	975,615	26,925	44,268
Income (Loss) Before Transfers	35,304	26,925	44,268
Contributions and Transfers			
Transfers from Other Funds	326,956		
Change in Net Position	362,260	26,925	44,268
Net Position - July 1, 2023	676,015	643,892	1,151,294
Net Position - June 30, 2024	\$ 1,038,275	\$ 670,817	\$ 1,195,562

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 207,328	\$	\$
Cash Payments to Employees for Services	(444,405)		
Cash Paid to Suppliers for Goods and Services	(534,932)		
Net Cash Provided (Used) by Operating Activities	(772,009)		
Cash Flows from Noncapital Financing Activities:			
Grants and Subsidies Received for Non-Operating Activities			
State Subsidies	231,060		
Federal Subsidies	683,302		
Transfer from Other Funds	326,956		
Net Cash Provided (Used) by Noncapital Financing Activities	1,241,318		
Cash Flows from Capital and Related Financing Activities:			
Purchase of Equipment	(326,956)		
Net Cash Provided (Used) by Capital and Related Financing Activities	(326,956)		
Cash Flows from Investing Activities:			
Earnings on Investments		26,925	44,268
Withdrawals (Purchases of) from Investment Pools		(26,925)	
Net Cash Provided (Used) by Investing Activities		-	44,268
Net Increase (Decrease) in Cash and Cash Equivalents	142,353	-	44,268
Cash and Cash Equivalents, Beginning of Year	444,959	-	1,151,294
Cash and Cash Equivalents, End of Year	\$ 587,312	\$ -	\$ 1,195,562
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities			
Operating Income (Loss)	\$ (940,311)	\$	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:			
Depreciation	11,042		
Donated Commodities Used	61,253		
Changes in Assets and Liabilities:			
Accounts Receivable	570		
Inventories	486		
Other Assets	(2,129)		
Due to/Due From Other Funds	30,090		
Accounts Payable	54,436		
Accrued Payables	3,785		
Unearned Revenues	8,769		
Total Adjustments	168,302		
Net Cash Provided (Used) by Operating Activities	\$ (772,009)	\$	\$

Noncash Noncapital Financing Activities:

During the year, the District received \$67,112 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2024

	Private Purpose Trust Funds	Custodial Funds Student Activities
ASSETS		
Cash and Cash Equivalents	\$ 59,096	\$ 114,644
Investments	165,839	
TOTAL ASSETS	\$ 224,935	\$ 114,644
LIABILITIES		
Accounts Payable	\$ -	\$ -
Total Liabilities		
NET POSITION		
Restricted		114,644
Unrestricted	224,935	
Total Net Position	224,935	114,644
TOTAL LIABILITIES AND NET POSITION	\$ 224,935	\$ 114,644

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Private Purpose Trust Funds	Custodial Funds Student Activities
Additions		
Gifts and contributions	\$ 8,150	\$ -
Student Activity Revenue		135,396
Interest Income	8,244	
Total Additions	16,394	135,396
Deductions		
Student Activity		133,740
Scholarship Awards	1,923	
Total Deductions	1,923	133,740
Changes in Net Position	14,471	1,656
Net Position - July 1, 2023	210,464	112,988
Net Position - June 30, 2024	\$ 224,935	\$ 114,644

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Karns City Area School District

Notes to the Basic Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The Karns City Area School District (the “School District”) provides public education to residents of the Boroughs of Bruin, Fairview, Chicora, Petrolia, East Brady, and Karns City and the Townships of Donegal, Parker, Perry, Bradys Bend and Fairview in the Counties of Butler, Armstrong and Clarion, Pennsylvania from its three elementary schools and high/middle school.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Karns City Area School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, “The Financial Reporting Entity,” management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is, however, a participant in a jointly governed organization: Butler County Area Vocational Technical School. The Vo-Tech School is not considered part of the reporting entity, as the School District is not financially accountable for the Vo-Tech School. See Note 10 for details on operating information about these entities.

B. Basis of Presentation

The financial statements of Karns City Area School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District’s accounting policies.

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

1. Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts that are reported as interfund activity and balances are eliminated.

2. Fund Financial Statements

The fund financial statements provide information about the School District's funds, including the fiduciary funds. Separate statement for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current

financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and the Capital Projects Fund are the School District's major governmental funds:

General Fund – The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

Capital Projects Fund – The Capital Projects Fund includes the School District's capital reserve and capital projects funds and accounts for funds which are typically borrowed or transferred from the general fund and used for major capital improvements.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the School District's proprietary funds:

Enterprise Fund

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Food Service

The Food Service accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Internal Service Funds

The Internal Service Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District maintains two internal service funds.

Risk Management

The Risk Management Fund accounts for the financial transactions related to the risk management activities of the School District. This fund is used to account for the potential claims arising from certain torts, thefts, damages, and catastrophic loss of assets, errors and omissions, injury to employees and natural disasters incurred by the School District. The School District uses this fund to accumulate funds to protect against losses for which insurance cannot be obtained by reason of policy limitations or deductibles or uninsurability. See Note 14 for additional details on the operation of this fund.

Retirement Obligations Fund

The Retirement Obligations Fund was established by the School District to account for funds accumulated to provide for payment of post retirement insurance benefits and retirement incentives.

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

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Custodial funds are custodial in nature and are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District's custodial fund accounts for various student-managed activities.

Private Purpose Trust Funds

This is a non-expendable trust fund established by an individual to provide income for a continuing scholarship. The basis of accounting for non-expendable trust funds is full accrual.

Custodial Funds

Student Activity Fund – This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

D. Measurement Focus, Basis of Accounting

1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when

measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

3. Revenues - Exchange and Nonexchange 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 School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange 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.

4. Unearned Revenues

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

Property taxes for which there is an enforceable legal claim as of June 30, 2024 which were levied to finance fiscal year 2025 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

5. 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

Generally accepted accounting principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

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 appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflects the first appropriation resolution for the general fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation and include budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

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

- ◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2024, the School District has no encumbrances.

G. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds of investments subject to daily withdrawal to be cash equivalents.

Deposits

Below is a summary of the School District's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	<u>\$ 250,000</u>	<u>\$ 14,056,890</u>	<u>\$ 14,306,890</u>	<u>\$ 14,048,402</u>

Investments

The District's investments at June 30, 2024 consist of:

	Cost	Fair Value
Certificates of Deposit	\$ 3,978,292	\$ 3,978,292
U.S. Bank Investment	<u>7,606,182</u>	<u>7,606,182</u>
Total	<u>\$ 11,584,474</u>	<u>\$ 11,584,474</u>

When applicable, the School District measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principals, recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- Level 2 inputs: The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.
- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any

market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

U.S. Bank Investments

For the township pension assets invested with U.S. Bank, the fair value measurements have been reported in the monthly statements provided to the School District by U.S. Bank. U.S. Bank measures and records its investments at fair market value, unless otherwise stated by the issuer of the investment.

At June 30, 2024, the following table reflects the School District investments held by U.S. Bank:

U.S Bank				
As of June 30, 2024				
FAIR VALUE MEASUREMENTS USING INVESTMENTS BY FAIR VALUE LEVEL	2024	Level 1	Level 2	Level 3
Fixed Income Securities	\$ 7,606,182	\$ 7,606,182		
Total investments by fair value level	7,606,182	7,606,182		
Total investments	<u><u>\$ 7,606,182</u></u>			

Investment Risks

Custodial Credit Risk – Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the custodian would not be able to recover the value of its investments or collateral securities in the possession of the custodian. The School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented five percent or more of the plan’s net position. The School District places no limit on the amount it may invest in any one issue.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

H. Taxes Receivable

Taxes receivable consist of delinquent real estate taxes due at June 30, 2024, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

I. Interfund Receivables/Payables

During the course of operations, transactions sometime 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

On government-wide financial statements, inventories are presented at cost on a first-in, first-out (FIFO) basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2024.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2024. The inventory consisted of food and non food supplies (valued at cost) and government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2024 are reported as unearned 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 School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with

individual assets less than \$1,500 as composite groups for financial reporting purposes. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

L. Long-Term Liabilities

In the government-wide financial statements and proprietary funds 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. 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, results could differ from those estimates.

N. Fund Balances

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2024 by the School District are nonspendable in form.

- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Business Manager of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

Fund balances in the School District’s major funds are \$9,257,603 in the General Fund, consisting of nonspendable prepaid amounts of \$190,110 and unassigned amounts of \$9,067,493. In addition \$11,557,529 is a committed fund balance in the Capital Projects Fund.

The Risk Management and Retirement Obligations Fund net position of \$670,817 and \$1,195,562 are for the School District’s risk management activities and retirement obligations, respectively. In addition, \$1,038,275 is included in net position of the School District’s Food Service Fund.

O. 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.

P. Subsequent Events

The School District evaluated subsequent events for recognition and disclosure through February 12, 2025, the date the financial statements were available to be issued.

Note 2 – Real Estate and Unearned Revenue

Property taxes attach as an enforceable lien on property as of July 1st of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2024 was based on assessed values on January 1, 2023 of \$100.1 million. The School District tax rates for the year ended June 30, 2024 varied by county as

determined by the State Tax Equalization Board and were 100.29 mills for Butler County, 44.63 mills for Clarion County and 43.91 mills for Armstrong County as levied by the School Board.

Taxes may be paid at a 2% discount until September 30th, at face until November 30th, and at a 10% penalty until the lien date.

The School 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. This balance, net of allowances, is \$97,829.

Note 3 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 38,526	\$	\$	\$ 38,526
Construction in Progress	2,525,339	14,710,863		17,236,202
Depreciable Assets				
Land Improvements	3,906,869			3,906,869
Buildings	40,860,078			40,860,078
Equipment	4,369,079	162,146		4,531,225
Totals at historical cost	<u>51,699,891</u>	<u>14,873,009</u>		<u>66,572,900</u>
Less accumulated depreciation for:				
Land Improvements	(4,241,321)	(149,133)		(4,390,454)
Buildings	(29,005,588)	(228,427)		(29,234,015)
Equipment	(4,379,247)	(117,000)		(4,496,247)
Total accumulated depreciation	<u>(37,626,156)</u>	<u>(494,560)</u>		<u>(38,120,716)</u>
Governmental activities capital asset, net	<u>\$ 14,073,735</u>	<u>\$ 14,378,449</u>	<u>\$</u>	<u>\$ 28,452,184</u>
Business-type Activities				
Depreciable Assets:				
Equipment	\$ 691,044	\$ 326,956	\$	\$ 1,018,000
Totals at historical cost	<u>691,044</u>	<u>326,956</u>		<u>1,018,000</u>
Less accumulated depreciation for:				
Equipment	(564,640)	(11,042)		(575,682)
Total accumulated depreciation	<u>(564,640)</u>	<u>(11,042)</u>		<u>(575,682)</u>
Business-type activities capital asset, net	<u>\$ 126,404</u>	<u>\$ 315,914</u>	<u>\$</u>	<u>\$ 442,318</u>
Depreciation expense was charged to governmental functions as follows:				
Unallocated-Governmental Funds				\$ 494,560
Total depreciation expense				<u>\$ 494,560</u>

In the 2023-2024 school year, building renovations and equipment purchases added \$14,873,009 to the historical cost of governmental activities and \$326,956 to the historical cost of business activities. Depreciation expense for that same time period was \$494,560 and \$11,042 for the governmental activities and business activities, resulting in book value increases of \$14,378,449 and \$315,914 for the governmental activities and business activities, respectively.

Note 4 – General Long-Term Debt

Changes in the School District’s long-term obligations during fiscal year 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, loans & leases payable					
Capital Improvement bonds	\$ 19,720,000	\$ -	\$ (405,000)	\$ 19,315,000	\$ 420,000
Authority Lease Obligations	549,254		(26,056)	523,198	27,297
Add: Bond Premium	1,826,784		(65,242)	1,761,542	
Less: Bond Discount	(88,739)		3,169	(85,570)	
Total bonds, loans and leases payable	22,007,299	-	(493,129)	21,514,170	447,297
Other liabilities:					
Post retirement benefits & Compensated absences	68,770	89,602		158,372	
Pension Liability	31,040,600	2,887,000	(3,579,500)	30,348,100	
Health Insurance Premium Share (OPEB)	1,285,300	68,000	(121,100)	1,232,200	
OPEB Obligation	6,558,815	671,556	(708,566)	6,521,805	257,886
Total other liabilities	38,953,485	3,716,158	(4,409,166)	38,260,477	257,886
Governmental activities long-term liabilities	\$ 60,960,784	\$ 3,716,158	\$ (4,902,295)	\$ 59,774,647	\$ 705,183

School Lease Revenue Bonds

The General Fund is used to liquidate the long-term liability for post-retirement benefits and compensated absences.

During 2010/2011, the Butler County Area Vocational-Technical School Authority issued lease revenue bonds in the principal amount of \$8,265,000. The purpose of the bonds is to pay a portion of the cost of additions and renovations to the BCAVTS facilities. During the 15/16 year, these bonds were refinanced with the issuance of the School Lease Revenue Bonds, Series of 2015. During the 20/21 year, these bonds were refinanced with the issuance of the School Lease Revenue Bonds, Series of 2021. The School District is responsible for a prorated share of this debt in the amount of \$553,804, with final payment due in 2040. The annual amounts necessary to amortize the bonds payable outstanding as of June 30, 2024 are as follows:

	Principal	Interest	Total
2025	\$ 27,297	\$ 11,851	\$ 39,148
2026	28,124	10,759	38,883
2027	29,365	9,634	38,999
2028	29,779	9,047	38,826
2029	30,606	8,451	39,057
2030-2034	161,302	32,860	194,162
2035-2039	178,674	15,949	194,623
2040	38,051	856	38,907
Total	\$ 523,198	\$ 99,407	\$ 622,605

Capital Improvement Bonds

During the 20/21 year, the School District issued General Obligation Bonds, Series of 2021, for the purpose of funding the Chicora Elementary School additions and renovations project and paying the costs of issuance of the bonds. The bonds consist of an original principal balance of \$19,720,000, variable rate interest from 3.00% - 4.00%, with final payment due in 2051. The amounts necessary to amortize these bonds outstanding are as follows:

	Principal	Interest	Total
2025	\$ 420,000	\$ 652,700	\$ 1,072,700
2026	435,000	635,600	1,070,600
2027	455,000	617,800	1,072,800
2028	470,000	599,300	1,069,300
2029	490,000	580,100	1,070,100
2030-2034	2,745,000	2,709,825	5,454,825
2035-2039	3,205,000	2,153,075	5,358,075
2040-2044	3,720,000	1,634,750	5,354,750
2045-2049	4,345,000	1,013,600	5,358,600
2050-2052	3,030,000	185,000	3,215,000
Total	<u>\$ 19,315,000</u>	<u>\$ 10,781,750</u>	<u>\$ 30,096,750</u>

Note 5 – Pension Plan

1. Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost sharing 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.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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 three 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.

Contributions

Member Contributions:

The contribution rates are 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: 10.8%
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 School District’s contractually required contribution rate for fiscal year ended June 30, 2024 was 33.09%* 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 \$3,551,402 for the year ended June 30, 2024.

*The defined benefit contribution rate of 0.27% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution rate. This may impact contributions made to the pension plan.

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

At June 30, 2024, the District reported a liability of \$30,348,100 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the District's proportion was 0.0682%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized pension expense of \$2,226,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,000	\$ 415,000
Changes in Assumptions	453,000	
Net difference between projected and actual investment earnings	858,000	
Changes in Proportions	72,000	831,000
Contributions subsequent to the measurement date	3,551,402	
	<u>\$ 4,941,402</u>	<u>\$ 1,246,000</u>

\$3,551,402 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2023	\$	47,000
2024		(923,000)
2025		734,000
2026		286,000
Total	\$	<u>144,000</u>

3. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2022
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%.

- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- 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, 2023 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	30.0%	5.2%
Private Equity	12.0%	7.9%
Fixed Income	33.0%	3.2%
Commodities	7.5%	2.7%
Infrastructure/MLPs	10.0%	5.4%
Real Estate	11.0%	5.7%
Absolute Return	4.0%	4.1%
Cash	3.0%	1.2%
Leverage	-10.5%	1.2%
	<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, 2023.

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 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 39,329,000	\$ 30,340,000	\$ 22,756,000

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.

Note 6 – OPEB Liability – Health Insurance Premium Share

OPEB Plan

1. Summary of Significant Account Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023 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.

Pension Plan Description

PSERS is a governmental cost sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.

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 school district’s contractually required contribution rate for the fiscal year ended June 30, 2024 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 \$68,132 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$1,232,200 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the District’s proportion was 0.0681%, which was a decrease of 0.0017% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized OPEB expenses of \$14,000. At June 30, 2024, 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	\$ 8,000	\$ 12,000
Changes in Assumptions	106,000	233,000
Net difference between projected and actual investment earnings	3,000	
Changes in Proportions	6,000	73,000
Contributions subsequent to the measurement date	68,132	
	<u>\$ 191,132</u>	<u>\$ 318,000</u>

\$68,132 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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 Ended June 30,	
2024	\$ (42,000)
2025	(45,000)
2026	(52,000)
2027	(49,000)
2028	(8,000)
Total	<u>(196,000)</u>

3. Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.13% – S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 4.5%, 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 for the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

The actuarial assumptions used in the June 30, 2022 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, 2021 determined the employer contribution rate for fiscal year 2023.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.2%
	<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, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. 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 4.13%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retiree 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, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 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, 2023, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB Liability (in thousands)	\$ 1,809,056	\$ 1,809,226	\$ 1,809,363

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 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
District's proportionate share of the net OPEB liability	\$ 1,393,000	\$ 1,232,000	\$ 1,097,000

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.

Note 7 – Compensated Absences

The School District has made early retirement benefits available to certain employees. The benefit is payment for unused sick days at retirement. The payable for declared retirements are recorded as current liabilities in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

	Sick Day Liability
June 30, 2023 Balance	\$ 68,770
Increases	89,602
Decreases	-0-
June 30, 2024 Balance	<u>\$ 158,372</u>

Note 8 – Other Post Employment Benefits

The District maintains a single-employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District’s health insurance plan.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors.

Funded Status and Funding Progress. As of June 30, 2024, the actuarial accrued liability for benefits was \$6,521,805, all of which was unfunded.

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

For the year ended June 30, 2024, the District recognized expense of \$346,198. At June 30, 2024 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	\$ -	\$ 980,618
Changes in Assumptions	662,758	1,606,084
Benefit payments subsequent to the measurement date	303,422	
	<u>\$ 966,180</u>	<u>\$ 2,586,702</u>

The other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2025	\$ (221,245)
2026	(221,245)
2027	(221,245)
2028	(221,245)
2029	(221,246)
Thereafter	(817,718)

Sensitivity of the Net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan’s net OPEB liability would be if it were calculated using a discount rate this is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>3.13%</u>	<u>4.13%</u>	<u>5.13%</u>
Net OPEB Liability	\$ 6,947,077	\$ 6,521,805	\$ 6,112,606

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rate

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 5,908,790	\$ 6,521,805	\$ 7,229,323

Schedule of Changes in the Total OPEB Liability and Related Ratios

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Service Cost	\$ 294,856	\$ 448,253	\$ 491,643	\$ 360,140	\$ 439,079
Interest	272,587	186,415	155,752	242,700	233,157
Changes of Benefit Terms					(39,654)
Difference between expected and actual experience	(450,680)		(276,076)		(686,079)
Changes of Assumptions	104,113	(1,666,218)	(205,343)	741,540	(171,375)
Benefit Payments	(257,886)	(299,934)	(344,313)	(302,874)	(290,180)
Other Changes					
Net Change in total OPEB Liability	<u>(37,010)</u>	<u>(1,331,484)</u>	<u>(178,337)</u>	<u>1,041,506</u>	<u>(515,052)</u>
Total OPEB liability - beginning of year	<u>6,558,815</u>	<u>7,890,299</u>	<u>8,068,636</u>	<u>7,027,130</u>	<u>7,542,182</u>
Total OPEB liability - end of year	\$ 6,521,805	\$ 6,558,815	\$ 7,890,299	\$ 8,068,636	\$ 7,027,130
Covered-employee payroll	\$ 9,190,600	\$ 9,223,717	\$ 9,223,717	\$ 8,730,902	\$ 8,730,902
Total OPEB liability as a percentage of covered-employee payroll	70.96%	71.11%	85.54%	92.41%	80.49%

The following assumptions were also made:

Actuarial Cost Method – Entry Age Normal

Asset Valuation Method – Market value

Salary Increases – 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 – Rate 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 Rate	Female Rate	Age	Male Rate	Female 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%

Discount Rate – 4.13%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2023.

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

Age	Special Early Retirement		TC & TD Superannuation		TE, TF, TG, & TH Superannuation	
	Male	Female	Male	Female	Male	Female
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%

Percentage of Eligible Retirees Electing Coverage in Plan – 100% of Teachers and Administrators eligible for the district subsidy and 20% of employees only eligible for Act 110/43 are assumed to elect coverage. It is assumed that Vested Former Members who are eligible for coverage will return to the plan at age 62.

Percent Married at Retirement – 80% 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.

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.

Disability – No disability was assumed.

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

Health Care Cost Trend Rate – 7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Note 9 – Lease Assets and Liabilities

During June 2020, the District entered into a lease with US Bank Equipment Finance for the use of copy equipment. The lease was for a 60-month period, required monthly payments of \$7,400.00 and is set to expire during June 2025.

Below is a summary of the lease expenses recognized by the District during the 23/24 year, along with the balances of the lease assets and liabilities as of June 30, 2024. These assets and liabilities are recognized on the Statement of Net Position as Right to Use Intangible Assets and Lease Payable.

Lease expense	Year Ending	
	6/30/2024	
Amortization expense by class of underlying asset		
Copy Machine	\$	82,067
Total amortization expense		82,067
Interest on lease liabilities		5,127
Total	\$	87,194

Lease Assets	Beginning of Year	Additions	Modifications &		End of Year	Amounts Due Within One Year
			Remeasurements	Subtractions		
Copy Machine	\$ 328,268	\$ -	\$ -	\$ -	\$ 328,268	
	328,268	-	-	-	328,268	
Less: Accumulated Amortization						
Copy Machine	(164,135)	(82,067)	-	-	(246,202)	
	(164,135)	(82,067)	-	-	(246,202)	
Total Lease Assets, net	\$ 164,133	\$ (82,067)	\$ -	\$ -	\$ 82,066	
Lease Liabilities	\$ 170,252	\$ -	\$ -	\$ (83,388)	\$ 86,864	\$ 86,864

Maturity Analysis	2025		
	Principal	Interest	Total Payments
	\$ 86,864	\$ 1,936	\$ 88,800
	\$ 86,864	\$ 1,936	\$ 88,800

Subscription Based Information Technology Agreements

During July 2021, the District entered into a subscription based information technology agreement with Finalsite for a communication platform. The agreement was for a five year period, requires annual payments of \$10,350.00 and is set to expire during July 2026.

During July 2021, the District entered into a subscription based information technology agreement with Chalk.com Education, Inc. for instructional software. The agreement was for a three year period, required annual payments of \$5,000.00 and expired during June 2024.

During March 2022, the District entered into a subscription based information technology agreement with Frontline Education for absence and substitute management software. The agreement was for a three year period, requires annual payments of \$7,019.42, \$7,300.20, and \$7,592.20, respectively, and is set to expire during June 2025.

Below is a summary of the subscription based expenses recognized by the District during the 23/24 year, along with the balances of the subscription based assets and liabilities as of June 30, 2024. These assets and liabilities are recognized on the Statement of Net Position as Right to Use Intangible Assets and Lease Payable.

	Year Ending 6/30/2024
Lease expense	
Amortization expense by class of underlying asset	
SBITA - GASB 96	\$ 21,215
Total amortization expense	21,215
Interest on lease liabilities	1,609
Variable lease expense	
Total	\$ 22,824

	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Lease Assets						
SBITA - GASB 96	\$ 68,271	\$ -	\$ -	\$ -	\$ 68,271	
	68,271	-	-	-	68,271	
Less: Accumulated Amortization						
SBITA - GASB 96	(21,214)	(21,215)			(42,429)	
	(21,214)	(21,215)	-	-	(42,429)	
Total Lease Assets, net	\$ 47,057	\$ (21,215)	\$ -	\$ -	\$ 25,842	
Lease Liabilities	\$ 45,901	\$ -	\$ -	\$ (19,819)	\$ 26,082	\$ 16,333
Maturity Analysis	Principal	Interest	Total Payments			
2025	\$ 16,333	\$ 1,609	\$ 17,942			
2026	9,749	601	10,350			
Total Future Payments	\$ 26,082	\$ 2,210	\$ 28,292			

Note 10 – Jointly Governed Organizations

The School District is one of seven member school districts of the Butler County Area Vocational Technical School (Vo-Tech). Vo-Tech is controlled and governed by the Joint Board, which is composed of one member from each school board of the member districts. Direct oversight of Vo-Tech's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for Vo-Tech fluctuates based on the percentage enrollment in the school. The Butler County Area Vocational Technical School prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

Note 11 – Investment in Joint Venture

As disclosed in Note 10, the School District is a member school district of the Butler County Area Vocational Technical School. During 2010/2011, the Vo-Tech issued lease revenue bonds with the prorated principal amounts allocated among the member school districts. This investment by the School District in the renovation of the Vo-Tech is accounted for as a joint venture. The amount shown on the statement of net position represents only amounts invested by the School District since July 1, 2010.

Note 12 – Contingent Liabilities and Events

Karns City Area School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2024 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time although the School District expects such amounts to be immaterial.

The COVID-19 pandemic has continued to impact the School District. As a response to COVID-19, the Coronavirus Aid, Relief and Economics Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act were enacted by Congress to provide budgetary relief to governmental agencies. This funding is reflected in these and in future financial statements.

Note 13 – Interfund Balances

As of June 30, 2024, there were the following individual fund level interfund receivable and payable balances:

<u>Interfund Receivable</u>	<u>Amounts</u>	<u>Interfund Payable</u>	<u>Amounts</u>
Capital Projects Fund	\$ 1,000,000	General Fund	\$ 1,091,011
Cafeteria Fund	91,011		
	<u>\$ 1,091,011</u>		<u>\$ 1,091,011</u>

The amount due to the Cafeteria fund represents principally subsidies that were received by the General Fund and are owed to the Cafeteria Fund. The amount due to the Capital Projects Fund represents amounts being set aside for future capital improvements.

During the fiscal year ended June 30, 2024 there were the following interfund transfers made:

<u>Transfers from</u>	<u>Amounts</u>	<u>Transfers to</u>	<u>Amounts</u>
General Fund	\$ 1,000,000	Capital Projects Fund	\$ 1,000,000
Capital Projects Fund	326,956	Cafeteria Fund	326,956
	<u>\$ 1,326,956</u>		<u>\$ 1,326,956</u>

The above transfer to the Capital Projects Fund represents amounts being set aside for future capital improvements. The transfer to the Cafeteria Fund represents fixed assets purchased by the Capital Projects Fund that will be used and maintained by the Cafeteria Fund.

Note 14 – Risk Management

The School District is exposed to various risk of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Karns City Area School District manages most of its risk through the general fund with the purchase of commercial insurance coverage. Settled claims have not exceeded coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year. However, for those amounts not covered by insurance by reason of policy limitations or deductibles or uninsurability, the School District has established a Risk Management Fund to account for and to accumulate money to be used in the event of such uninsured losses.

Note 15 – Health Insurance Consortium

The District participates in the Western Pennsylvania Schools Health Care Consortium (WPSHCC). The Consortium provides health insurance benefits to employees of the participating districts. The WPSHCC is a public entity risk pool designed to administer health and medical insurance risks on a pooled risk basis. The District pays an annual premium to WPSHCC for its health and medical insurance coverage. The formation agreement of WPSHCC provides that the WPSHCC will be self-sustaining through annually determined member premiums and will reinsure through commercial

companies for excess claims of amounts as defined in the insurance contract. The agreement permits participating districts to withdraw from the WPSHCC under terms as specified in the agreement. Withdrawing districts are entitled to a proportionate share of WPSHCC fund balance or deficit on the date of withdrawal. The District estimates that there are no additional amounts due to the Consortium at June 30, 2024.

Required Supplementary Information

**KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
District's Proportion of the Net Pension Liability	0.0682%	0.0698%	0.0710%	0.0705%	0.0735%	0.0729%	0.0737%	0.0749%	0.0761%	0.0749%
District's Proportionate Share of the Net Pension Liability	\$ 30,340,000	\$ 31,032,000	\$ 29,191,000	\$ 34,714,000	\$ 34,385,000	\$ 34,996,000	\$ 36,399,000	\$ 37,118,000	\$ 32,963,000	\$ 29,646,000
District's Covered-employee Payroll	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676	\$ 9,791,352	\$ 9,560,501
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	290.79%	302.52%	289.99%	349.43%	339.12%	356.69%	370.77%	382.59%	336.65%	310.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

**KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
District's Proportion of the Net OPEB Liability	0.0681%	0.0698%	0.0710%	0.0705%	0.0735%	0.0729%	0.0737%	0.0749%
District's Proportionate Share of the Net OPEB Liability	\$ 1,232,000	\$ 1,285,000	\$ 1,683,000	\$ 1,530,000	\$ 1,563,000	\$ 1,520,000	\$ 1,502,000	\$ 1,613,000
District's Covered-employee Payroll	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	11.81%	12.53%	16.72%	15.40%	15.41%	15.49%	15.30%	16.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

**KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 3,571,697	\$ 3,479,929	\$ 3,374,160	\$ 3,293,711	\$ 3,291,503	\$ 3,093,386	\$ 2,818,957	\$ 2,651,688	\$ 2,503,397	\$ 2,221,321
Contributions in relation to the actuarially determined contribution	3,571,697	3,479,929	3,374,160	3,293,711	3,291,503	3,093,386	2,818,957	2,382,897	1,964,989	1,492,071
Contribution Deficiency	-	-	-	-	-	-	-	268,791	538,408	729,250
Covered Payroll	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676	\$ 9,791,352	\$ 9,560,501
Contribution as a percentage of covered payroll	34.23%	33.92%	33.52%	33.15%	32.46%	31.53%	28.71%	24.56%	20.07%	15.61%

**KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF EMPLOYER PREMIUM ASSISTANCE CONTRIBUTIONS – OPEB
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 81,096	\$ 102,824	\$ 95,119	\$ 97,837	\$ 102,521	\$ 98,129	\$ 92,636	\$ 96,991
Contributions in relation to the actuarially determined contribution	77,878	81,508	82,619	82,995	84,210	81,447	81,481	84,305
Contribution Deficiency	3,217	21,316	12,500	14,842	18,311	16,682	11,155	12,686
Covered Payroll	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676
Contribution as a percentage of covered payroll	0.75%	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%	0.87%

Supplementary Information

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

To the Board of School Directors
Karns City Area School District
Karns City, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Karns City Area School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Karns City Area School District's basic financial statements, and have issued our report thereon dated February 12, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CYPHER & CYPHER

Cypher & Cypher

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
February 12, 2025

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of School Directors
Karns City Area School District
Karns City, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Karns City Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Karns City Area School District's major federal programs for the year ended June 30, 2024. Karns City Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Karns City Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

CYPHER & CYPHER

Cypher & Cypher

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
February 12, 2025

Karns City Area School District Schedule of Findings and Questioned Costs Year Ended June 30, 2024

Section 1 – Summary of Auditor’s Results

Financial Statements		
i.	Type of auditor’s report issued	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness (es) identified?	No
	Significant deficiencies identified?	No
iii.	Noncompliance material to financial statements noted?	No

Federal Awards:		
iv.	Internal control over major programs:	
	Material weakness (es) identified?	No
	Significant deficiencies identified?	None reported
v.	Type of auditor’s report issued on compliance for major programs:	Unmodified
vi.	Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No

vii.	Major Programs:	
	ALN Number(s)	Name of Federal Program or Cluster
	84.425D, 84.425U	Education Stabilization Fund, including subprograms Elementary and Secondary School Emergency Relief (ESSER II), Elementary and Secondary School Emergency Relief (ARP ESSER III), and Cares Act – ARP ESSER 7%
viii.	Dollar threshold used to distinguish between type A and type B programs:	\$750,000
ix.	Auditee qualify as low-risk auditee?	No

Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS

None noted.

Section 3 – Findings and Questioned Costs for Federal Awards

None noted.

Section 4 – Summary of Prior Audit Findings

None.

KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
SCHOOL YEAR ENDED JUNE 30, 2024

PROJECT TITLE OR GRANT NAME	FUNDING SOURCE	FEDERAL ALN #	PASS THROUGH GRANTOR #	PROGRAM YEARS	PROGRAM GRANT AWARD	CASH RECEIVED IN 23/24	ACCRUED/ DEFERRED REVENUE 07/01/23	REVENUES RECOGNIZED 23/24	EXPENDITURES RECOGNIZED 23/24	ACCRUED/ DEFERRED REVENUE 06/30/24	CARRYOVER TO 24/25
SPECIAL EDUCATION CLUSTER (IDEA) DEPARTMENT OF EDUCATION PASSED FROM MIDWEST INTERMEDIATE UNIT IV											
IDEA, PART B	I	84.027	062-22-0004	23/24 22/23	\$ 245,995.65 229,104.18	\$ 200,885.51 31,710.06	\$ - 31,710.06	\$ 245,995.65	\$ 245,995.65	\$ 45,110.14	\$ -
IDEA 619 - EARLY INTERVENTION	I	84.173	131-22-0004	23/24	1,317.00	1,317.00		1,317.00	1,317.00		
ARP IDEA	I	84.027X	062-22-0004	21/22	53,767.94	29,470.24	22,600.00	6,870.24	6,870.24		
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)					<u>\$ 530,184.77</u>	<u>\$ 263,382.81</u>	<u>\$ 54,310.06</u>	<u>\$ 254,182.89</u>	<u>\$ 254,182.89</u>	<u>\$ 45,110.14</u>	<u>\$ -</u>
CHILD NUTRITION CLUSTER UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION											
SCHOOL BREAKFAST PROGRAM SUBTOTAL ALN #10.553	I	10.553		23/24	\$ 233,355.41 233,355.41	\$ 233,355.41 233,355.41	\$ -	\$ 233,355.41 233,355.41	\$ 233,355.41 233,355.41	\$ -	\$ -
NATIONAL SCHOOL LUNCH PROGRAM	I	10.555		23/24	415,448.41 415,448.41	415,448.41 415,448.41		415,448.41 415,448.41	415,448.41 415,448.41		
SUPPLY CHAIN ASSISTANCE	I	10.555		23/24	33,844.80 33,844.80	33,844.80 33,844.80		33,844.80 33,844.80	33,844.80 33,844.80		
PASSED FROM PENNSYLVANIA DEPARTMENT OF AGRICULTURE NATIONAL SCHOOL LUNCH PROGRAM - DONATED COMMODITIES											
	I	10.555		23/24 22/23	67,112.50 73,146.86	67,112.50 a 2,092.04 b		59,160.46 2,092.04	59,160.46 c 2,092.04 c	(7,952.04) d	7,952.04
TOTAL DONATED COMMODITIES					140,259.36	67,112.50	(2,092.04)	61,252.50	61,252.50	(7,952.04)	7,952.04
SUBTOTAL ALN #10.555					589,552.57	516,405.71	(2,092.04)	510,545.71	510,545.71	(7,952.04)	7,952.04
TOTAL CHILD NUTRITION CLUSTER					<u>\$ 822,907.98</u>	<u>\$ 749,761.12</u>	<u>\$ (2,092.04)</u>	<u>\$ 743,901.12</u>	<u>\$ 743,901.12</u>	<u>\$ (7,952.04)</u>	<u>\$ 7,952.04</u>

KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS (CONTINUED)
SCHOOL YEAR ENDED JUNE 30, 2024

PROJECT TITLE OR GRANT NAME	FUNDING SOURCE	FEDERAL ALN #	PASS THROUGH GRANTOR #	PROGRAM YEARS	PROGRAM GRANT AWARD	CASH RECEIVED IN 23/24	ACCRUED/ DEFERRED REVENUE 07/01/23	REVENUES RECOGNIZED 23/24	EXPENDITURES RECOGNIZED 23/24	ACCRUED/ DEFERRED REVENUE 06/30/24	CARRYOVER TO 24/25
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION P-EBT LOCAL ADMIN FUNDS	I	10.649		23/24	\$ 653.00	\$ 653.00	\$ -	\$ 653.00	\$ 653.00	\$ -	\$ -
SUBTOTAL ALN #10.649					653.00	653.00	-	653.00	653.00	-	-
EDUCATION STABILIZATION FUND											
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION CARES ACT - ELEMENTARY AND SECONDARY EMERGENCY RELIEF FUND (ESSERS II)	I	84.425D	FA-200-21-0209	21/22	934,081.00	847,189.76	451,095.01	396,094.75	396,094.75		
ARP ACT - ESSERS III	I	84.425U	FA-223-21-0209	21/22	1,889,375.00	1,030,568.10		1,511,500.00	1,511,500.00	480,931.90	
ARP ACT - ESSERS III 7% LEARNING LOSS	I	84.425U	FA-225-21-0209	21/22	104,890.00	38,141.80	(9,091.29)	45,294.23	45,294.23	(1,938.86)	3,846.00
ARP ACT - ESSERS III 7% SUMMER PROGRAMS	I	84.425U	FA-225-21-0209	21/22	20,978.00	7,628.40	1,511.74	6,497.98	6,497.98	381.32	
ARP ACT - ESSERS III 7% AFTERSCHOOL PROGRAMS	I	84.425U	FA-225-21-0209	21/22	20,978.00	7,628.40	8,009.72			381.32	
TOTAL EDUCATION STABILIZATION FUND					2,970,302.00	1,931,156.46	451,525.18	1,959,386.96	1,959,386.96	479,755.68	3,846.00
PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY COVID-SFR School Mental Health Grant	I	21.027	2023-CM-1-42491	23/24	116,558.00			9,900.00	9,900.00	9,900.00	106,658.00
TOTAL ALN #32.009					116,558.00			9,900.00	9,900.00	9,900.00	106,658.00
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) PASSED FROM PENNSYLVANIA DEPARTMENT OF WELFARE											
MEDICAL ASSISTANCE	I	93.778	100211	23/24	\$ 3,385.99	\$ 3,385.99	\$ -	\$ 3,385.99	\$ 3,385.99	\$ -	\$ -
TOTAL MEDICAL ASSISTANCE					3,385.99	3,385.99		3,385.99	3,385.99		
GRAND TOTAL					\$ 4,443,991.74	\$ 2,948,339.38	\$ 503,743.20	\$ 2,971,409.96	\$ 2,971,409.96	\$ 526,813.78	\$ 118,456.04

Footnotes:
(a) Total amount of Commodities received from Dept of Agriculture
(b) Beginning inventory at July 1
(c) Total amount of Commodities Used
(d) Ending Inventory at June 30

Karns City Area School District

Notes to Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Karns City Area School District (the “School District”) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Karns City Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Karns City Area School District.

Note 2 – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District had food commodities totaling \$7,952 in inventory.

Note 4 – Indirect Cost Rates

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

