

State College Area School District

Financial Statements and
Supplementary Information

June 30, 2024

State College Area School District

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Independent Auditors' Report

To the Board of Directors of
State College Area School District

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 the State College Area School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of revenues, Expenditures and Change in Fund Balance - General Fund (pages 58-59), the Combining Balance Sheet - Nonmajor Governmental Funds on page 60, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds on page 61 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as listed in the table of contents are presented for purposes of additional analysis and are 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

State College, Pennsylvania
December 16, 2024

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the State College Area School District (the District) as of and for the year ended June 30, 2024. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short term. Governmental fund financial statements are prepared using the modified accrual basis of accounting whereas the business-type activity (food service) financial statements are prepared using the accrual basis of accounting.

Governmental Funds

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

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the District's major funds, which are the General Fund, the Capital Projects Fund, and Capital Reserve Fund. The District's nonmajor funds the Student Activity Fund and Debt Service Fund, are collectively reported.

Proprietary Funds

The District accounts for its food service operation in a proprietary fund, which reports the same functions presented as the business-type activity in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to Financial Statements

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

Government-Wide Financial Analysis

Condensed Statements of Net Position

June 30, 2024 and 2023

	Condensed Statements of Net Position					
	Governmental Activities		Business-Type Activity		Total	
	2024	2023	2024	2023	2024	2023
Assets and Deferred Outflows of Resources						
Current and other assets	\$ 87,579,735	\$ 91,640,920	\$ 2,860,022	\$ 2,839,519	\$ 90,439,757	\$ 94,480,439
Noncurrent assets	348,867,433	337,601,842	441,458	264,367	349,308,891	337,866,209
Deferred outflows of resources	46,406,986	47,384,867	942,733	959,565	47,349,719	48,344,432
Total	<u>\$ 482,854,154</u>	<u>\$ 476,627,629</u>	<u>\$ 4,244,213</u>	<u>\$ 4,063,451</u>	<u>\$ 487,098,367</u>	<u>\$ 480,691,080</u>
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 32,736,431	\$ 30,259,413	\$ 274,943	\$ 292,261	\$ 33,011,374	\$ 30,551,674
Long-term liabilities:						
Due within one year	9,966,158	9,482,606	-	-	9,966,158	9,482,606
Due after one year	415,992,003	434,372,104	4,843,396	4,954,284	420,835,399	439,326,388
Total liabilities	<u>458,694,592</u>	<u>474,114,123</u>	<u>5,118,339</u>	<u>5,246,545</u>	<u>463,812,931</u>	<u>479,360,668</u>
Deferred inflows of resources	<u>14,949,558</u>	<u>15,595,545</u>	<u>361,516</u>	<u>380,961</u>	<u>15,311,074</u>	<u>15,976,506</u>
Net position:						
Net investment in capital assets	80,653,182	69,029,231	441,458	264,367	81,094,640	69,293,598
Restricted (for capital projects and debt service)	73,620,691	70,755,157	-	-	73,620,691	70,755,157
Unrestricted	<u>(145,063,869)</u>	<u>(152,866,427)</u>	<u>(1,677,100)</u>	<u>(1,828,422)</u>	<u>(146,740,969)</u>	<u>(154,694,849)</u>
Total net position (deficit)	<u>9,210,004</u>	<u>(13,082,039)</u>	<u>(1,235,642)</u>	<u>(1,564,055)</u>	<u>7,974,362</u>	<u>(14,646,094)</u>
Total	<u>\$ 482,854,154</u>	<u>\$ 476,627,629</u>	<u>\$ 4,244,213</u>	<u>\$ 4,063,451</u>	<u>\$ 487,098,367</u>	<u>\$ 480,691,080</u>

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

Condensed Statements of Activities For the Years Ended June 30, 2024 and 2023

Condensed Statements of Activities						
	Governmental Activities		Business-Type Activity		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 1,789,598	\$ 1,585,308	\$ 2,717,634	\$ 2,646,009	\$ 4,507,232	\$ 4,231,317
Operating grants and contributions	26,251,474	26,695,904	3,139,115	3,036,860	29,390,589	29,732,764
General revenues:						
Taxes levied, net	147,658,261	141,006,301	-	-	147,658,261	141,006,301
Grants, subsidies and contributions not restricted	14,284,627	12,389,990	-	-	14,284,627	12,389,990
Other	11,175,522	6,275,613	-	-	11,175,522	6,275,613
Total revenues	201,159,482	187,953,116	5,856,749	5,682,869	207,016,231	193,635,985
Program Expenses:						
Instruction	101,411,938	95,009,724	-	-	101,411,938	95,009,724
Instructional student support	16,401,135	14,150,554	-	-	16,401,135	14,150,554
Administration and financial support services	21,151,955	17,086,738	-	-	21,151,955	17,086,738
Operation and maintenance of plant services	21,793,220	20,185,295	-	-	21,793,220	20,185,295
Pupil transportation	6,861,837	6,649,350	-	-	6,861,837	6,649,350
Student activities	3,228,001	2,956,607	-	-	3,228,001	2,956,607
Community services	41,952	62,860	-	-	41,952	62,860
Interest on long-term debt	6,595,653	7,016,786	-	-	6,595,653	7,016,786
Unallocated depreciation and amortization	379,274	422,410	-	-	379,274	422,410
Loss on disposal of capital assets	1,002,474	173,503	-	-	1,002,474	173,503
Transfers out (in)	-	-	-	-	-	-
Food service	-	-	5,528,336	5,106,933	5,528,336	5,106,933
Total program expenses	178,867,439	163,713,827	5,528,336	5,106,933	184,395,775	168,820,760
Change in net position	22,292,043	24,239,289	328,413	575,936	22,620,456	24,815,225
Net Deficit, Beginning	(13,082,039)	(37,321,328)	(1,564,055)	(2,139,991)	(14,646,094)	(39,461,319)
Net Position (Deficit), Ending	\$ 9,210,004	\$ (13,082,039)	\$ (1,235,642)	\$ (1,564,055)	\$ 7,974,362	\$ (14,646,094)

Total net position of the District increased \$22,620,456 in 2024. Net position of governmental activities increased by \$22,292,043, while net position of the business-type activity increased \$328,413.

The District had \$178,867,439 in expenses and transfers related to governmental activities in 2023-24; only \$28,041,072 of these expenses were offset by program-specific charges for services, grants or contributions. The increase in expenses in 2023-24 is primarily related to an \$11,754,258 (9.3%) increase in personnel costs. General revenues (primarily taxes and state subsidies) of \$173,118,410 also provided for these programs. The \$22,292,043 increase in governmental activities net position represents the excess of revenues over expenses on a full-accrual basis.

In the District's business-type activity, net position increased by \$328,413 as a result of the net income of the food service operation.

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

The June 30, 2024 government-wide financial statements reflect the District's estimated share of the Public School Employees' Retirement System (PSERS) liability and related deferred outflows and inflows of resources, as required under the Governmental Accounting Standards Board (GASB) Statement No. 68. In addition, GASB Statement No. 75 requires that the District report a liability and deferred outflows and inflows of resources related to postemployment benefits other than pension (OPEB), primarily health insurance. Below is a schedule showing the impact of GASB 68 and 75 on the unrestricted net position as of June 30, 2023 and 2024.

	Total Net Position	GASB 68 and 75 (Pension and OPEB Impact)	Total Excluding GASB 68 and 75 Impact	Net Position Available to Fund Operations and Debt Service
Governmental Activities:				
At June 30, 2023	\$ (13,082,039)	\$ (206,576,068)	\$ 193,494,029	\$ 124,464,798
Change in net position	<u>22,292,043</u>	<u>6,696,700</u>	<u>15,595,343</u>	<u>3,971,392</u>
Ending at June 30, 2024	<u>\$ 9,210,004</u>	<u>\$ (199,879,368)</u>	<u>\$ 209,089,372</u>	<u>\$ 128,436,190</u>
Business-Type Activities:				
At June 30, 2023	\$ (1,564,055)	\$ (4,322,788)	\$ 2,758,733	\$ 2,494,366
Change in net position	<u>328,413</u>	<u>127,906</u>	<u>200,507</u>	<u>23,416</u>
Ending at June 30, 2024	<u>\$ (1,235,642)</u>	<u>\$ (4,194,882)</u>	<u>\$ 2,959,240</u>	<u>\$ 2,517,782</u>

As of June 30, 2024, excluding the impact of changes in position recorded based on GASB 68 and 75, \$54,815,499 of unrestricted net position of the \$209,809,372 of total net position of governmental activities was available to meet the District's ongoing obligations to employees and creditors for governmental activities. In addition, \$73,620,691 of restricted net position was available to fund future capital projects and \$80,653,182 is invested in capital assets and restricted for capital projects.

Financial Analysis of the Governmental Funds

General Fund

Revenues

Revenues for the 2023-24 fiscal year were \$195,234,990 compared to \$185,618,232 for the previous fiscal year. The revenues are derived from three main sources, as follows:

	2023 - 2024	2022 - 2023	Change Increase (Decrease)	% Change
Local sources	\$ 155,775,556	\$ 147,582,532	\$ 8,193,024	5.6 %
State sources	37,546,144	34,675,855	2,870,289	8.3
Federal sources	<u>1,913,290</u>	<u>3,359,845</u>	<u>(1,446,555)</u>	<u>(43.1)</u>
Total	<u>\$ 195,234,990</u>	<u>\$ 185,618,232</u>	<u>\$ 9,616,758</u>	<u>5.2 %</u>

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

Local revenues are derived primarily from levying taxes such as real estate tax, earned income tax and real estate transfer tax. Local revenues increased \$8,193,024 compared to the prior year. Real estate taxes, including supplemental tax billings, increased \$5,515,576, primarily related to a 4.1% increase in real estate millage. Supplemental tax rebates totaling \$69,759 offset real estate tax revenue. The Supplemental Tax Rebate Program provides property tax rebates to senior citizens, widows, widowers and disabled persons who meet certain income eligibility guidelines and who are homeowners. Earned income tax increased \$764,702. CEEL revenue increased by \$223,531 as the District completely exited from the COVID-19 pandemic for after school program revenues. Interest on investments increased by \$2,321,368. The increases in earned income tax and interest on investments are reflective of the interest rate environment in the 2023-2024 year.

State revenues are derived primarily from state subsidies for basic education and special education and a 50% reimbursement for social security and retirement costs. State revenues increased by \$2,870,289. This change was due to the basic education subsidy increasing by \$1,893,168, revenue for retirement subsidy increasing by \$543,654, and revenue for social security subsidy increasing by \$230,760.

Federal revenues decreased by \$1,446,555 primarily related to a decrease in COVID related grant funding.

Expenditures

Expenditures and other financing uses for the 2023-24 fiscal year were \$193,517,665 compared to the 2022-23 fiscal year of \$183,445,058 or 5.5% increase. The following table shows the expenditures by object category:

	2023 - 2024	2022 - 2023	Increase (Decrease)	% Change
Salaries and benefits	\$ 138,485,644	\$ 126,731,386	\$ 11,754,258	9.3 %
Professional services	4,756,246	4,022,088	734,158	18.3
Purchased property services	1,817,196	1,693,448	123,748	7.3
Other purchased services	12,912,749	12,842,840	69,909	0.5
Supplies and property	9,729,995	8,918,811	811,184	9.1
Other objects	710,018	419,739	290,279	69.2
Other uses of funds	25,105,817	28,816,746	(3,710,929)	(12.9)
Total	<u>\$ 193,517,665</u>	<u>\$ 183,445,058</u>	<u>\$ 10,072,607</u>	5.5 %

Salaries and benefits increased by \$11,754,258 with salaries and health insurance expense increasing by \$5,657,459 and \$4,328,936, respectively. Increases in retirement and other benefits were proportional with the increase in salaries.

The increases in professional services were primarily related to the District-wide Facilities Master Plan project, increased spending on staff training, as well as engineering and legal services.

The increase in supplies and property is largely due to increases in physical plant, transportation, and IT supplies as well as electricity costs in 2024.

Other uses of funds changes include the transfer to the Debt Service Fund and a transfer to the Capital Reserve Fund.

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

Capital Reserve Fund

The Capital Reserve Fund is used to account for transfers from the General Fund that are to be used to fund future capital projects or debt service. The Capital Reserve Fund balance as of June 30, 2024 is \$73,620,691.

Capital Projects Fund

The Capital Projects Fund is used to account for capital projects of the District. The District spent \$7,483,372 for such projects in 2023-24. The majority of expenditures in 2023-24 related to the North High School Building CTC and boiler projects, Memorial Field renovations and various Grays Woods Elementary and Mount Nittany Middle School projects. The Capital Projects fund balance is \$3,750,183 at June 30, 2024. Restricted cash of \$583,416 at June 30, 2024 represents bond funds available to fund additional building projects.

General Fund Budgetary Highlights

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

The General Fund's originally-approved budget for 2024 included \$188,350,629 of revenues and \$187,132,736 of expenditures and other financing uses. The budget was amended by \$2,703,785 primarily for additional grants and related expenditures.

The actual revenues for 2024 were \$4,180,576 greater than the final budget. Local revenues were \$3,894,921 greater than budget primarily due to favorable variances in earned income tax of \$633,264 and interest on investments of \$3,283,813. Other components of local revenues were largely in line with budgeted amounts.

State revenues were \$238,886 greater than budget primarily related to the PSERS reimbursements which were in excess of budget by \$188,864. Federal revenues were greater than budget by \$46,769 due to higher than budgeted reimbursable COVID related grant expenditures in addition to a greater than budgeted reimbursement from the special education Medical ACCESS Program.

Actual expenditures, excluding other financing uses, were \$562,185 less than the amended budget. However, due to an additional \$4,800,000 transfer to Capital Reserve (less than \$500,000 was budgeted), actual expenditures and other financing uses combined exceeded the amended budget. Due to higher than expected health insurance claims in the District's self-insured health plan, actual expenditures were more closely aligned with budgeted expenditures.

The District established a committed fund balance in 2021-22 to fund future budget shortfalls related to the self-insured health plan. In 2023-24 the District allocated an additional \$1,400,000 to bring the committed fund balance to \$9,392,790 as of June 30, 2024.

In its final action of committing fund balances for the year ended June 30, 2024, the Board recommitted \$27,389,041 to offset debt service payments expected to be used through June 30, 2032.

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

Capital Assets

The District's investment in capital assets for its governmental and business-type activity as of June 30, 2024 is summarized below (see details in Note 7 to the financial statements).

	Governmental Activities	Business-Type Activity	Total
Land, buildings and improvements	\$ 338,293,205	\$ -	\$ 338,293,205
Equipment and other capital assets	40,843,217	1,570,476	42,413,693
Construction in progress	7,965,780	-	7,965,780
Total	387,102,202	1,570,476	388,672,678
Accumulated depreciation	(112,286,430)	(1,129,018)	(113,415,448)
Net	<u>\$ 274,815,772</u>	<u>\$ 441,458</u>	<u>\$ 275,257,230</u>

Long-Term Debt

At June 30, 2024, the District had long-term debt of \$175,745,000 (see details in Note 9 to the financial statements) issued, authorized and outstanding, including referendum debt of \$58,485,000 related to the District's High School Project. Debt issued based on a voter referendum is excluded when comparing to the legal limit of debt. Debt that is not related to the referendum of \$117,260,000 is significantly below the legal limit of \$418,890,164.

Factors Expected to Have an Effect on Future Operations

The District has been awarded \$9,611,501 in various federal COVID relief funds. Funds utilized through 2023-24 total \$9,606,751, with the remaining funds projected to be utilized through 2024-25, funding various initiatives to address social, emotional and health needs of students, assist in the recovery costs related to lost learning during the pandemic, provide student learning during periods of quarantine and fund other qualified expenditures to supplement decreased revenues related to the economic impacts of the pandemic.

The assessed value of real estate used for the 2024-25 budget preparation is approximately \$2.529 billion, which is up approximately \$30 million, or 1.2% more than 2023-24. Amounts available for appropriation in the General Fund budget for 2024-25 are \$205,608,390, an increase of approximately 9.9% over the 2023-24 original budget of \$187,132,736. The property tax rate will increase 2.65% to 50.9228 mills following a property tax increase of 4.1% in the 2023-24 budget. The District will use this increase in revenues to finance additional special education staffing and offset increases in personnel costs with the onboarding of new contracts as well as increasing health care cost estimates based on 2023-2024 experience. The District has committed fund balance of \$36,781,831, which is committed for self-insured health care costs and future debt service payments, as mentioned above. The residual unassigned fund balance of \$14,562,903 is within state limitations. Transfers to the Capital Reserve Fund are projected to be eliminated starting in the fiscal year ending June 30, 2025 and not anticipated to commence again until the fiscal year ending June 30, 2029.

The State College community is dedicated to ensuring that all students acquire the necessary skills and knowledge to enhance and develop their unique capabilities. Education is an investment in the future that requires a partnership between schools and the entire community. The District is committed to using its resources wisely and to delivering quality educational programs.

The District continually strives to enhance the cost-effectiveness of its operations, and of its program delivery, without sacrificing quality. The District's financial planning process includes a multi-year budget that is updated annually and can be found in the budget document. The multi-year budget projects revenues and expenses using historical results and future expectations.

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2024

Referendum/Property Tax Relief - Special Session Act 1 of 2006

Act 1 of 2006 limited the ability of school districts to raise taxes above an inflationary index which also contains back-end referendum requirements for increases in property tax rates. School districts are prohibited from increasing their tax rates above the annual inflationary percentage and must place referendum questions before the voters to approve further increases. Exceptions for rate increases above the index without going to referendum exist for special education costs, retirement rate changes, debt issuances and certain other limited areas. The Act 1 Index for 2023-2024 was 4.1%.

Installment payments for real estate tax bills also went into effect beginning in 2007. All school districts, except Philadelphia and Pittsburgh, were required to offer homestead and farmstead property owners the option to pay their property taxes in installments. School districts are required to notify homestead and farmstead property owners of this option as part of their property tax bills. A taxpayer who elects this option and who is delinquent by more than ten days on two or more installment payments will be ineligible for the installment option in the following year.

Strategic Plan

The Pennsylvania Department of Education (PDE) requires all school districts to develop a plan to prioritize goals, focusing on improving student learning in accordance with its community's experiences and desires. The 2022-2025 strategic plan was created as a refresh to the 2019-2024 strategic plan. A steering team comprised of district parents, students, teachers, board members and administrators created the plan. The strategic plan and its annual updates are required to be submitted to PDE each year.

District Growth

PowerSchool, our finance and student system software application also provides an enrollment impact tool, was engaged to provide enrollment projections for the District. PowerSchool used historical enrollment data, recent trends and projected new residential development to forecast student enrollment from 2017 to 2027. Both moderate and conservative projections forecast an increase in enrollment of approximately 1 - 2%, respectively, across the forecasted period. The District updated the enrollment projections in 2023 from PowerSchool which showed provided similar projections.

District-Wide Facilities Master Plan

Beginning in 2023-2024, the District embarked on an additional facility master plan related to a middle school project, in addition to completing playgrounds and projects at various athletic facilities. The work of the consultant hired to complete enrollment projections in 2022 identified facility capacity and attendance boundary issues. The 2023-2024 projections and analysis recommended the construction of an addition to the Mount Nittany Elementary School whose enrollment has exceeded capacity for the previous two years.

Contact the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at (814) 231-1021.

State College Area School DistrictStatement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 74,694,646	\$ 2,423,751	\$ 77,118,397
Taxes receivable, net	3,553,304	-	3,553,304
Internal balances	89,776	(89,776)	-
Due from other governments	8,797,737	407,883	9,205,620
Other receivables	277,914	24,772	302,686
Inventories	17,251	93,392	110,643
Other current assets	149,107	-	149,107
Total current assets	87,579,735	2,860,022	90,439,757
Noncurrent Assets			
Restricted cash and cash equivalents	74,051,661	-	74,051,661
Capital assets:			
Land	4,184,633	-	4,184,633
Buildings and improvements	334,108,572	-	334,108,572
Equipment and other capital assets	39,709,331	1,570,476	41,279,807
Right-to-use subscription assets	1,133,886	-	1,133,886
Construction in progress	7,965,780	-	7,965,780
Accumulated depreciation	(112,286,430)	(1,129,018)	(113,415,448)
Total noncurrent assets	348,867,433	441,458	349,308,891
Total assets	436,447,168	3,301,480	439,748,648
Deferred Outflows of Resources			
Pension	43,046,306	858,640	43,904,946
Other postemployment benefits (OPEB)	2,766,027	84,093	2,850,120
Deferred amounts on refunding	594,653	-	594,653
Total deferred outflows of resources	46,406,986	942,733	47,349,719
Total	\$ 482,854,154	\$ 4,244,213	\$ 487,098,367
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 4,375,311	\$ 5,463	\$ 4,380,774
Current portion of bonds payable	9,915,000	-	9,915,000
Current portion of lease liability	51,158	-	51,158
Accrued salaries and benefits	24,805,342	14,938	24,820,280
Unearned revenue	822,826	65,817	888,643
Other current liabilities	2,732,952	188,725	2,921,677
Total current liabilities	42,702,589	274,943	42,977,532
Noncurrent Liabilities			
Bonds payable	183,293,733	-	183,293,733
Lease liability	90,880	-	90,880
Other postemployment benefits liability (OPEB)	13,881,830	450,412	14,332,242
Net pension liability	216,860,313	4,325,687	221,186,000
Compensated absences	1,865,247	67,297	1,932,544
Total noncurrent liabilities	415,992,003	4,843,396	420,835,399
Total liabilities	458,694,592	5,118,339	463,812,931
Deferred Inflows of Resources			
Other postemployment benefits (OPEB)	4,144,092	145,982	4,290,074
Pension	10,805,466	215,534	11,021,000
Total deferred inflows of resources	14,949,558	361,516	15,311,074
Net Position (Deficit)			
Net investment in capital assets	80,653,182	441,458	81,094,640
Restricted (for capital projects and debt service)	73,620,691	-	73,620,691
Unrestricted deficit	(145,063,869)	(1,677,100)	(146,740,969)
Total net position (deficit)	9,210,004	(1,235,642)	7,974,362
Total	\$ 482,854,154	\$ 4,244,213	\$ 487,098,367

See notes to financial statements

State College Area School District

Statement of Activities

Year Ended June 30, 2024

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-Type Activity	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ (101,411,938)	\$ 1,656,238	\$ 19,349,864	\$ -	\$ (80,405,836)		\$ (80,405,836)
Instructional student support	(16,401,135)	-	1,958,649	-	(14,442,486)		(14,442,486)
Administration and financial support services	(21,151,955)	-	1,784,413	-	(19,367,542)		(19,367,542)
Operation and maintenance of plant services	(21,793,220)	133,360	883,215	-	(20,776,645)		(20,776,645)
Pupil transportation	(6,861,837)	-	1,255,072	-	(5,606,765)		(5,606,765)
Student activities	(3,228,001)	-	97,760	-	(3,130,241)		(3,130,241)
Community services	(41,952)	-	11,799	-	(30,153)		(30,153)
Interest on long-term debt	(6,595,653)	-	910,702	-	(5,684,951)		(5,684,951)
Depreciation and amortization, unallocated	(379,274)	-	-	-	(379,274)		(379,274)
Total governmental activities	(177,864,965)	1,789,598	26,251,474	-	(149,823,893)		(149,823,893)
Business-Type Activity							
Food service	(5,528,336)	2,717,634	3,139,115		-	\$ 328,413	328,413
Total	<u>\$ (183,393,301)</u>	<u>\$ 4,507,232</u>	<u>\$ 29,390,589</u>	<u>\$ -</u>	<u>(149,823,893)</u>	<u>328,413</u>	<u>(149,495,480)</u>
General Revenues							
Property taxes, levied for general purposes, net					124,880,363	-	124,880,363
Other taxes					22,777,898	-	22,777,898
Grants, subsidies and contributions not restricted					14,284,627	-	14,284,627
Investment earnings:							
Interest					10,256,121	-	10,256,121
Miscellaneous income					919,401	-	919,401
Loss on disposal of assets					(1,002,474)	-	(1,002,474)
Total general revenues					<u>172,115,936</u>	<u>-</u>	<u>172,115,936</u>
Changes in net position					22,292,043	328,413	22,620,456
Net Deficit, Beginning					<u>(13,082,039)</u>	<u>(1,564,055)</u>	<u>(14,646,094)</u>
Net Position (Deficit), Ending					<u>\$ 9,210,004</u>	<u>\$ (1,235,642)</u>	<u>\$ 7,974,362</u>

See notes to financial statements

State College Area School District

Balance Sheet - Governmental Funds

June 30, 2024

	Major Funds			Nonmajor Funds	Total
	General	Capital Reserve	Capital Projects		
Assets					
Assets					
Cash and cash equivalents	\$ 73,769,032	\$ -	\$ -	\$ 925,584	\$ 74,694,616
Restricted cash and cash equivalents	-	73,468,245	583,416	-	74,051,661
Taxes receivable, net	3,553,304	-	-	-	3,553,304
Due from other funds	587,003	979,359	3,967,349	-	5,533,711
Due from other governments	8,797,737	-	-	-	8,797,737
Other receivables	275,829	-	-	-	275,829
Inventories	1,901,726	-	-	-	1,901,726
Other current assets	805,681	-	-	-	805,681
Total	<u>\$ 89,690,312</u>	<u>\$ 74,447,604</u>	<u>\$ 4,550,765</u>	<u>\$ 925,584</u>	<u>\$ 169,614,265</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Due to other funds	\$ 4,815,892	\$ 87,479	\$ -	\$ 383,391	\$ 5,286,762
Accounts payable	2,811,144	739,434	800,582	20,526	4,371,686
Accrued salaries and benefits	24,805,342	-	-	-	24,805,342
Unearned revenue	822,826	-	-	-	822,826
Other liabilities	1,329,845	-	-	-	1,329,845
Total liabilities	<u>34,585,049</u>	<u>826,913</u>	<u>800,582</u>	<u>403,917</u>	<u>36,616,461</u>
Deferred Inflows of Resources					
Unavailable revenues, taxes	<u>1,788,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,788,649</u>
Fund Balances					
Nonspendable	1,901,726	-	-	-	1,901,726
Restricted	-	73,620,691	3,750,183	521,667	77,892,541
Committed	36,781,831	-	-	-	36,781,831
Assigned	70,154	-	-	-	70,154
Unassigned	14,562,903	-	-	-	14,562,903
Total fund balances	<u>53,316,614</u>	<u>73,620,691</u>	<u>3,750,183</u>	<u>521,667</u>	<u>131,209,155</u>
Total	<u>\$ 89,690,312</u>	<u>\$ 74,447,604</u>	<u>\$ 4,550,765</u>	<u>\$ 925,584</u>	<u>\$ 169,614,265</u>

See notes to financial statements

State College Area School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balances, Governmental Funds	\$ 131,209,155
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are long-term financial resources, and therefore, are not reported as assets in government funds. The cost of assets is \$387,102,202 and the accumulated depreciation is \$112,286,430.	274,815,772
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.	1,788,649
Prepaid expenses reclassified to right to use assets	(656,574)
Inventory of books and supplies was reclassified to capital assets.	(1,901,726)
Internal service fund is used by the District to charge the costs of printing services to individual funds. The assets and liabilities of the internal service fund, with the exception of capital assets and pension and OPEB related assets and liabilities which are included elsewhere in this reconciliation, are reported with governmental activities.	(166,741)
Deferred outflows related to net OPEB liability are not reported in the governmental funds, however, are reported in the statement of net position.	2,766,027
Deferred inflows related to net OPEB liability are not reported in the governmental funds, however are reported in the statement of net position.	(4,144,092)
Deferred outflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position.	43,046,306
Deferred inflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position.	(10,805,466)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	(193,208,733)
Deferred amounts on refunding	594,653
Accrued interest on long-term debt	(1,403,107)
Net OPEB liability	(13,881,830)
Net pension liability	(216,860,313)
Lease liability	(142,038)
Compensated absences	(1,839,938)
Total Net Position (Deficit), Governmental Activities	\$ 9,210,004

See notes to financial statements

State College Area School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	Major Funds			Nonmajor Funds	Total
	General	Capital Reserve	Capital Projects		
Revenues					
Local sources	\$ 155,775,556	\$ 3,317,469	\$ 1,154,840	\$ 357,026	\$ 160,604,891
State sources	37,546,144	-	-	-	37,546,144
Federal sources	1,913,290	-	-	-	1,913,290
Total revenues	195,234,990	3,317,469	1,154,840	357,026	200,064,325
Expenditures					
Instruction	105,865,069	-	-	-	105,865,069
Support services	59,228,190	-	-	-	59,228,190
Noninstructional services	3,162,293	-	-	309,460	3,471,753
Facilities acquisition, construction and improvement services	1,800	5,693,139	7,483,372	-	13,178,311
Debt service	-	-	-	17,474,425	17,474,425
Total expenditures	168,257,352	5,693,139	7,483,372	17,783,885	199,217,748
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	26,977,638	(2,375,670)	(6,328,532)	(17,426,859)	846,577
Other Financing Sources (Uses)					
Transfer in	-	5,241,204	2,390,188	17,474,425	25,105,817
Refund of prior year receipts	(154,496)	-	-	-	(154,496)
Transfer out	(25,105,817)	-	-	-	(25,105,817)
Total other financing (uses) sources	(25,260,313)	5,241,204	2,390,188	17,474,425	(154,496)
Changes in fund balances	1,717,325	2,865,534	(3,938,344)	47,566	692,081
Fund Balances, Beginning, as Previously Reported	51,599,289	70,755,157	-	8,162,628	130,517,074
Accounting Changes (see Note Disclosure)	-	-	7,688,527	(7,688,527)	-
Fund Balances, Beginning, as Adjusted	51,599,289	70,755,157	7,688,527	474,101	130,517,074
Fund Balances, Ending	<u>\$ 53,316,614</u>	<u>\$ 73,620,691</u>	<u>\$ 3,750,183</u>	<u>\$ 521,667</u>	<u>\$ 131,209,155</u>

See notes to financial statements

State College Area School District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2024

Total Changes in Fund Balances - Governmental Funds	\$	692,081
Amounts reported for governmental activities in the statement of activities are different because:		
Some property taxes will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.		1,063,446
Capital outlays are reported in governmental funds as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in this period:		
Depreciation expense	\$ (10,742,717)	
Loss on disposal of assets	(1,002,474)	
Capital outlays	<u>14,973,963</u>	3,228,772
The change in inventory is recorded as an increase or decrease as expense in the governmental funds, but it is reclassified and accounted for through capital outlays and depreciation expense in the statement of activities.		(340,245)
The issuance of long term debt (bonds) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial financial resources of government funds. This transaction, however, does not have an effect on net position. Also, governmental funds report the effect of premiums and discounts, and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Reconciling items related to long-term debt activity for the year ended June 30, 2024 are as follows:		
New lease arrangements	(37,658)	
Scheduled principal payments on leases	34,754	
Scheduled principal payments on long-term debt	<u>9,440,000</u>	9,437,096
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include amortization of bond premiums and deferred interest from advanced refunding bonds. The net additional interest accrued in the statement of activities over the amount due is shown here.		1,411,439
Internal service fund is used by the District to charge the costs of printing services to individual funds. The revenues and expenses of the internal service fund are reported with governmental activities.		3,152
Net OPEB liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported within the statement of net position, and changes in the liability is reflected within the statement of net position. This represents the change in OPEB liability and the deferred outflows and inflows related to the OPEB.		26,863
Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported within the statement of net position, and changes in the liability are reflected within the statement of net position. This represents the change in pension liability and the deferred outflows and inflows related to the pension.		6,669,837
In the statement of activities, certain operating expenses, compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial financial resources used. This amount represents the difference between the amount earned versus the amount used.		<u>99,602</u>
Changes in Net Position of Governmental Activities	\$	<u>22,292,043</u>

See notes to financial statements

State College Area School District

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amount			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local sources	\$ 151,700,740	\$ 151,880,635	\$ 155,775,556	\$ 3,894,921
State sources	35,236,031	37,307,258	37,546,144	238,886
Federal sources	1,413,858	1,866,521	1,913,290	46,769
Total revenues	188,350,629	191,054,414	195,234,990	4,180,576
Expenditures				
Instruction:				
Regular programs	72,372,030	73,644,633	73,620,377	24,256
Special programs	24,907,961	24,738,282	24,673,650	64,632
Vocational education programs	4,147,024	4,438,532	4,438,532	-
Other instructional programs	3,076,102	3,130,075	3,106,223	23,852
Adult education programs	22,500	8,143	8,143	-
Nonpublic school programs	5,651	37,927	18,144	19,783
Total instruction	104,531,268	105,997,592	105,865,069	132,523
Support services:				
Students	6,989,371	7,616,198	7,616,198	-
Instructional staff	6,902,815	7,204,470	7,204,470	-
Administration	9,871,716	10,299,036	10,299,036	-
Pupil health	2,714,144	2,987,084	2,987,084	-
Business	1,760,970	2,023,415	2,023,415	-
Operation and maintenance of plant services	13,584,159	13,663,566	13,663,566	-
Student transportation services	7,251,610	7,256,957	6,992,465	264,492
Central	8,298,694	8,441,956	8,441,956	-
Total support services	57,373,479	59,492,682	59,228,190	264,492
Noninstructional services:				
Student activities	3,331,958	3,284,280	3,120,110	164,170
Community services	36,815	42,183	42,183	-
Scholarships and awards	1,000	1,000	-	1,000
Total noninstructional services	3,369,773	3,327,463	3,162,293	165,170
Facilities acquisition, construction and improvement services	-	1,800	1,800	-
Total expenditures	165,274,520	168,819,537	168,257,352	562,185
Excess of revenues over expenditures before other financing sources (uses)	23,076,109	22,234,877	26,977,638	4,742,761
Other Financing Sources (Uses)				
Budgetary reserve	(1,793,603)	(511,167)	-	511,167
Refund of prior year receipts	(200,000)	(200,000)	(154,496)	45,504
Transfers out	(19,864,613)	(20,305,817)	(25,105,817)	(4,800,000)
Total other financing uses, net	(21,858,216)	(21,016,984)	(25,260,313)	(4,243,329)
Changes in fund balances	\$ 1,217,893	\$ 1,217,893	1,717,325	\$ 499,432
Fund Balances, Beginning			51,599,289	
Fund Balances, Ending			\$ 53,316,614	

See notes to financial statements

State College Area School District

Statement of Net Position - Proprietary Funds

June 30, 2024

	Food Service Fund	Internal Service Fund
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 2,423,751	\$ 30
Due from other funds	-	38,078
Due from other governments	407,883	-
Other receivables	24,772	2,085
Inventories	93,392	17,251
Total current assets	<u>2,949,798</u>	<u>57,444</u>
Noncurrent Assets		
Equipment	1,570,476	674,077
Accumulated depreciation	<u>(1,129,018)</u>	<u>(532,039)</u>
Total noncurrent assets	<u>441,458</u>	<u>142,038</u>
Deferred Outflows of Resources		
OPEB	84,093	3,585
Pension	<u>858,640</u>	<u>48,679</u>
Total deferred outflows of resources	<u>942,733</u>	<u>52,264</u>
Total	<u><u>\$ 4,333,989</u></u>	<u><u>\$ 251,746</u></u>
Liabilities, Deferred Inflows of Resources and Net Deficit		
Current Liabilities		
Accounts payable	\$ 5,463	\$ 3,625
Accrued salaries and benefits	14,938	-
Due to other funds	89,776	195,251
Other liabilities	188,725	-
Lease liability	-	51,158
Unearned revenue	<u>65,817</u>	<u>-</u>
Total current liabilities	<u>364,719</u>	<u>250,034</u>
Noncurrent Liabilities		
Net pension liability	4,325,687	245,235
Net OPEB liability	450,412	18,464
Lease liability	-	90,880
Compensated absences	<u>67,297</u>	<u>25,309</u>
Total noncurrent liabilities	<u>4,843,396</u>	<u>379,888</u>
Total liabilities	<u>5,208,115</u>	<u>629,922</u>
Deferred Inflows of Resources		
OPEB	145,982	5,705
Pension	<u>215,534</u>	<u>12,219</u>
Total deferred inflows of resources	<u>361,516</u>	<u>17,924</u>
Net Deficit		
Net investment in capital assets	441,458	-
Unrestricted deficit	<u>(1,677,100)</u>	<u>(396,100)</u>
Total net deficit	<u>(1,235,642)</u>	<u>(396,100)</u>
Total	<u><u>\$ 4,333,989</u></u>	<u><u>\$ 251,746</u></u>

See notes to financial statements

State College Area School District

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended June 30, 2024

	Food Service Fund	Internal Service Fund
Operating Revenues		
Food service revenue	\$ 2,717,634	\$ -
Charges for services	-	502,396
Total operating revenues	2,717,634	502,396
Operating Expenses		
Salaries and employee benefits	2,901,461	142,129
Food, milk and supplies	2,504,593	130,519
Depreciation	59,427	73,315
Professional and technical services	14,271	101,667
Other purchased services	13,529	28,055
Purchased property services	26,640	-
Other objects	8,415	-
Interest	-	7,421
Total operating expenses	5,528,336	483,106
Operating (loss) income	(2,810,702)	19,290
Nonoperating Revenues (Expenses)		
State sources	1,011,674	-
Federal sources	2,127,441	-
Total nonoperating revenues	3,139,115	-
Changes in net deficit	328,413	19,290
Net Deficit, Beginning	(1,564,055)	(415,390)
Net Deficit, Ending	<u>\$ (1,235,642)</u>	<u>\$ (396,100)</u>

See notes to financial statements

State College Area School District

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2024

	Food Service Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,816,419	\$ 462,232
Cash paid to employees	(3,005,271)	(157,466)
Cash paid to vendors	(2,056,898)	(231,451)
Net cash (used in) provided by operating activities	(2,245,750)	73,315
Cash Flows Used in Investing Activities		
Purchase of equipment	(236,518)	-
Cash Flows Used in Capital and Related Financing Activities		
Principal payments on lease liability	-	(73,315)
Cash Flows From Noncapital Financing Activities		
State sources	1,003,794	-
Federal sources	1,542,634	-
Net cash provided by noncapital financing activities	2,546,428	-
Change in cash and cash equivalents	64,160	-
Cash and Cash Equivalents, Beginning	2,359,591	30
Cash and Cash Equivalents, Ending	<u>\$ 2,423,751</u>	<u>\$ 30</u>
Reconciliation of Operating Loss to Net Cash (Used in) Provided by Operating Activities		
Operating (loss) income	\$ (2,810,702)	\$ 19,290
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	59,427	73,315
Pension changes	(132,143)	(17,510)
OPEB changes	4,237	1,372
USDA donated commodities used	541,384	-
Changes in assets and liabilities resulting in the provision (use) of cash:		
Inventories	(29,423)	(2,101)
Other receivables	(3,470)	(2,085)
Due to/from other funds	97,431	2,786
Accounts payable	(1,411)	(2,552)
Accrued salaries and benefits	9,691	-
Other liabilities	4,824	-
Compensated absences	14,405	800
Net cash (used in) provided by operating activities	<u>\$ (2,245,750)</u>	<u>\$ 73,315</u>
Noncash Operating, Investing and Noncapital Financing Activities		
Lease liability incurred for equipment	<u>\$ -</u>	<u>\$ 37,658</u>
USDA donated commodities	<u>\$ 541,384</u>	<u>\$ -</u>

See notes to financial statements

State College Area School District

Notes to Financial Statements
June 30, 2024

1. Nature of Operations and Summary of Significant Accounting Policies

The financial statements of State College Area School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Nature of Operations

The District is a Class 2 school district that provides education from kindergarten through the twelfth grade in State College, Pennsylvania. The District operates with an elected nine-member Board of Directors that is responsible for the District's activities. The financial statements include all of the District's operations controlled by the Board.

The District is comprised of the Townships of Ferguson, Patton, Halfmoon, College, Harris and portion of Benner and the Borough of State College.

Reporting Entity

The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 14, as amended. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

Basic Financial Statements, Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's General, Capital Reserve, Capital Projects, Debt Service, Student Activity and Internal Service Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

In the government-wide statement of net position, both the governmental activities and business-type activity columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term debt and obligations and deferred inflows of resources. The District's net position (deficit) is reported in three parts - net investment in capital assets; restricted net position and unrestricted net position (deficit).

The government-wide statement of activities reports both the gross and net cost of each of the District's functions and business-type activity. The functions/programs are also supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function/program, or business-type activity) are normally covered by general revenue.

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position (deficit) resulting from the current year's activities.

Basic Financial Statements, Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Funds

The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the District:

General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income and local service taxes and state and federal appropriations. Many of the more significant activities of the District, including instruction, administration and certain noninstructional services (including athletics) are accounted for in this fund. The General Fund is reported as a major fund.

Capital Reserve Fund

The Capital Reserve Fund was established under the Pennsylvania Municipal Code to account for (1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the District at the end of a fiscal year and (3) interest earnings of the fund itself. Bond proceeds and other local, state and federal revenues may not be deposited in this fund. No transfers out of this fund are allowable for any purpose. Expenditures from this fund are limited to: capital improvements, replacement and additions to public works and improvements, for deferred maintenance, for the purchase or replacement of school buses, or to make debt service payments and for no other purpose. The Capital Reserve Fund is a major fund.

Capital Projects Fund

The Capital Project Fund accounts for the financial resources to be used for the acquisition or construction of capital facilities and other capital assets and debt service payments. The Capital Projects Fund is a major fund.

Debt Service Fund

The Debt Service Fund accounts for resources that are restricted, committed or assigned to expenditure for principal and interest on outstanding general long-term debt obligations. The Debt Service Fund is a nonmajor fund.

Student Activity Fund

The Student Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. The Student Activity Fund accounts for the collections and disbursements of assets of various student activities and clubs. The Student Activity Fund is a nonmajor fund.

State College Area School District

Notes to Financial Statements
June 30, 2024

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position (deficit), financial position and cash flows. The applicable GAAP are those similar to businesses in the private sector.

Food Service Fund

The Food Service Fund accounts for all revenues and expenditures pertaining to cafeteria operations since such operations are financed and operated in a manner similar to private business enterprises. It is the intent of the government body that the cost of providing such goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

Internal Service Fund

This fund accounts for the revenues and expenses associated with providing printing services by the District's printing services department to schools and other departments of the District on a cost reimbursement basis. As the Internal Service Fund primarily serves the needs of the District, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses are included in the governmental funds in the government-wide statements.

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

Accrual Basis

Both governmental activities and business-type activity in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions, in which the District receives value without directly giving equal value in return, requires tax revenues to be recognized in the year levied while grant revenue is recognized when grantor eligibility requirements are met.

State College Area School District

Notes to Financial Statements

June 30, 2024

Modified Accrual Basis

The governmental funds' financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period (next fiscal year) or, for real estate taxes, within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Expenditures, other than principal and interest on bonds payable, compensated absences, postemployment obligations and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on bonds and notes payable, compensated absences, postemployment obligations and claims and judgments are recorded as fund liabilities when due and unpaid.

The District reports unearned revenue on its fund financial statements. Unearned revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues may also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Budgets and Budgetary Accounting

The District adopts an annual budget for the General Fund in accordance with law.

The budget is maintained on a modified accrual basis by fund, function and object, with expenditures controlled by line item. Appropriations lapse at the end of each year and must be reappropriated.

The School Board approves budget transfers between departments within District funds. Budgeted amounts are reported as most recently adopted by the School Board.

Capital Assets

Capital assets, (including right-to-use lease assets and subscription assets), purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20 - 50
Equipment and other capital assets	5 - 20

Lease and subscription assets are typically amortized over the lease/subscription term.

The District does not have any infrastructure capital assets.

Inventories

Inventories consist of books and supplies held by the District and used for a period of more than one year and these inventories are reclassified and reported as capital assets for the government-wide financial statements. Inventories are recorded at original cost less an allowance for wear and tear. The estimated useful life of inventories is five years. Inventories in the Food Service Fund are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used. Food commodities donated by the federal government are valued at an estimated market value.

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Governmental Fund Balances

The District classifies its governmental fund balances as follows:

- *Nonspendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the School Board which do not lapse at year-end
 - The School Board of the District is its highest level of decision-making authority, and
 - The School Board commits funds through a formal board motion.
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through a formal action of the School Board
 - The School Board of the District authorized the District Business Administrator to assign funds to specific purposes, and
 - The School Board passed a board motion authorizing assignments for activities as contemplated by the Board.
- *Unassigned* - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

Restricted Net Position/Fund Balances

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications-committed, assigned and then unassigned fund balances.

Deferred Outflows/Inflows of Resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (deficit) that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position (deficit) that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

The District provides eligible employees with retirement benefits through the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS'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.

Other Postemployment Benefits (OPEB)

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 PSERS Health Insurance Premium Assistance Program and the State College Area School District Postemployment Benefits Plan (the State College OPEB Plan) and additions to/deductions from PSERS and the State College OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by PSERS and the State College OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Leases

The District leases capital assets from other entities. As a lessee, the District reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) on the government-wide financial statements. In the governmental fund financial statements, the District recognizes lease proceeds and capital outlay at initiation of the lease, and the outflow of resources for the lease liability as a debt service payment. The District recognize leases as a lease liability and an intangible capital asset.

Subscription-Based Information Technology Arrangements

The District reports a subscription liability and an intangible right-to-use capital asset (known as the subscription asset) on the government-wide financial statements. In the governmental fund financial statements, the District recognizes subscription proceeds and capital outlay at initiation of the subscription, and the outflow of resources for the subscription liability as a debt service payment. The District recognizes subscriptions over \$100,000 as a subscription liability and intangible capital asset.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

State College Area School District

Notes to Financial Statements

June 30, 2024

New Accounting Pronouncements

The District adopted GASB Statement No. 99, *Omnibus 2022* for the year ended June 30, 2024. GASB Statement No. 99 aims to improve the consistency and comparability of accounting and financial reporting. The adoption of this Statement had no effect on the financial statements as of June 30, 2024.

The District adopted GASB Statement No. 100, *Accounting Changes and Error Corrections* for the year ended June 30, 2024. GASB Statement No. 100 establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The adoption of this Statement had the following impacts on the 2024 financial statements.

Changes to or Within the Financial Reporting Entity (See Adjustments Below)

The Capital Projects Fund, previously reported as a nonmajor fund, is reported as a major fund for 2024.

Adjustments to Beginning Balances

During fiscal year 2024, changes to or within the financial reporting entity resulted in adjustments to beginning fund balance as follows:

	June 30, 2023, as Previously Reported	Change to or Within the Financial Reporting Entity	June 30, 2023, as Adjusted
Governmental funds:			
Major Funds:	\$ 51,599,289	\$ -	\$ 51,599,289
General		-	
Capital Reserve	70,755,157	-	70,755,157
Capital Projects	-	7,688,527	7,688,527
Nonmajor	8,162,628	(7,688,527)	474,101
Total	\$ 130,517,074	\$ -	\$ 130,517,074

2. Cash and Cash Equivalents

The District's cash and cash equivalents and restricted cash include deposits with local institutions, and the Pennsylvania School District Liquid Asset Fund (PSDLAF).

Pennsylvania statutes provide for the investment of governmental funds in certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for cash management and investment purposes. Pennsylvania Act 72 requires all governmental (public funds) deposits not insured by the Federal Deposit Insurance Corporation to be collateralized by the financial institution.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to the following deposit and investment risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The following is a description of the District's deposit and investment risks:

State College Area School District

Notes to Financial Statements

June 30, 2024

Deposits With Local Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. Custodial credit risk is addressed in the District's Policy Number 608, *Bank Accounts*. At June 30, 2024, \$98,604,977 of the District's bank deposits were exposed to custodial credit risk, as these deposits were not covered by depository insurance, but rather were collateralized with securities held by the pledging financial institution, but not in the District's name.

Pennsylvania School District Liquid Asset Fund

The PSDLAF contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant owns shares of PSDLAF, which invests the pooled assets. Such assets are not considered deposits pursuant to GASB Nos. 3 and 40, and as such are not subject to custodial credit risk. At June 30, 2024, the carrying amount and bank balances of the District's investment in PSDLAF were \$53,196,726. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

3. Property Taxes

Property taxes are normally levied on July 1. Taxes are collected at a 2% discount if paid within two months of the bill date and a 10% penalty is assessed for taxes paid more than four months after the bill date. The District also elects to extend an installment option to all property owners. The tax rolls are maintained by Centre County, Pennsylvania, and are collected by elected tax collectors. Centre County also collects delinquent real estate taxes for the District.

4. Interfund Receivables, Payables and Transfers

At June 30, 2024, the following interfund balances were unpaid:

Amounts due from other funds:	
General Fund	\$ 587,003
Capital Reserve Fund	979,359
Capital Projects Fund	3,967,349
Internal Service Fund	38,078
Total	<u>\$ 5,571,789</u>
Amounts due to other funds:	
General Fund	\$ 4,815,892
Capital Reserve Fund	87,479
Food Service Fund	89,776
Internal Service Fund	195,251
School Sponsored Activity Fund	383,391
Total	<u>\$ 5,571,789</u>

Interfund balances primarily arise between the General Fund and other funds due to operating expenses and capital project related expenses paid out of the General Fund and reimbursed by the applicable fund on a monthly basis. The District determines the amount available to transfer to the Capital Reserve Fund at the end of each fiscal year from the General Fund.

State College Area School District

Notes to Financial Statements

June 30, 2024

The composition of interfund transfers used to move cash between funds at June 30, 2024 is as follows:

Transfers in:	
Debt Service Fund	\$ 17,474,425
Capital Reserve Fund	5,241,204
Capital Projects Fund	<u>2,390,188</u>
Total	<u>\$ 25,105,817</u>
Transfers out:	
General Fund	<u>\$ 25,105,817</u>

The General Fund transferred \$17,474,425 to the Debt Service Fund to cover required debt service payments in 2024, \$5,241,204 to the Capital Reserve Fund to fund future capital projects and \$2,390,188 to the Capital Projects Fund for the purpose of deferred maintenance.

5. Due From Other Governments

The amount reported in the funds at June 30, 2024 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ 540,194	\$ 7,190,109	\$ 1,067,434	\$ 8,797,737
Food Service Fund	<u>220,099</u>	<u>187,784</u>	<u>-</u>	<u>407,883</u>
Total	<u>\$ 760,293</u>	<u>\$ 7,377,893</u>	<u>\$ 1,067,434</u>	<u>\$ 9,205,620</u>

Amounts due from the federal and state governments are primarily federal grants and state subsidies receivable from the Commonwealth of Pennsylvania, Department of Education at June 30, 2024. The amount due from local governments represents receivables earned by the District for special education, but not yet remitted to the District as of June 30, 2024.

6. Taxes Receivable, Net

A summary of the taxes receivable and related accounts at June 30, 2024 is as follows:

Delinquent real estate taxes receivable	\$ 1,080,245
Earned income taxes receivable	1,226,539
Supplemental taxes receivable	878,731
Real estate transfer tax receivable	353,077
Interim real estate tax	20,897
Local service	<u>8,815</u>
Total	3,568,304
Estimated uncollectible taxes at June 30, 2024	<u>(15,000)</u>
Total	<u>\$ 3,553,304</u>

State College Area School District

Notes to Financial Statements

June 30, 2024

7. Capital Assets

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

	Balance, July 1, 2023	Increases	Transfers/ Decreases	Balance, June 30, 2024
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,748,697	\$ 1,435,936	\$ -	\$ 4,184,633
Construction in progress	3,191,157	11,728,075	(6,953,452)	7,965,780
Total capital assets, not being depreciated	5,939,854	13,164,011	(6,953,452)	12,150,413
Capital assets being depreciated:				
Buildings and improvements	332,089,268	24,459	1,994,845	334,108,572
Equipment and other capital assets	58,380,575	1,747,835	(21,093,156)	39,035,254
Leased equipment-internal service	340,537	37,658	-	378,195
Equipment-internal service	295,882	-	-	295,882
Total capital assets, being depreciated	391,106,262	1,809,952	(19,098,311)	373,817,903
Accumulated depreciation for:				
Buildings and improvements	(79,534,208)	(8,752,521)	3,457,662	(84,829,067)
Equipment and other capital assets	(46,084,198)	(1,955,441)	21,591,627	(26,448,012)
Leased equipment-internal service	(201,403)	(34,754)	-	(236,157)
Equipment, internal service	(295,881)	(1)	-	(295,882)
Total accumulated depreciation	(126,115,690)	(10,742,717)	25,049,289	(111,809,118)
Total capital assets being depreciated, net	264,990,572	(8,932,765)	5,950,978	262,008,785
Subscription assets, net	543,924	317,844	(205,194)	656,574
Governmental activities capital assets, net	\$ 271,474,350	\$ 4,549,090	\$ (1,207,668)	\$ 274,815,772
Business-type activity:				
Capital assets being depreciated,				
Equipment and other capital assets	\$ 1,333,958	\$ 236,518	\$ -	\$ 1,570,476
Accumulated depreciation for:				
Equipment and other capital assets	(1,069,591)	(59,427)	-	(1,129,018)
Business-type activity capital assets, net	\$ 264,367	\$ 177,091	\$ -	\$ 441,458

State College Area School District

Notes to Financial Statements

June 30, 2024

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

Governmental activities:

Unallocated	\$	379,274
Instruction		1,047,467
Instructional support services		4,698
Administrative and financial support services		561,049
Operation and maintenance of plant services		<u>8,750,229</u>

Total depreciation expenses for governmental activities

\$ 10,742,717

Business-type activities:

Food service	\$	<u>59,427</u>
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Outstanding commitments on projects in process at June 30, 2024 approximated \$6,700,000.

8. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$24,805,342 represent salaries of \$10,416,962, the District's share of Social Security taxes of \$796,897 for employees' services during the 2023-2024 school term, which are paid during July and August 2024, and retirement plan expense of \$3,541,768 applicable to the accrued salaries at June 30, 2024 and accrued workers' compensation of \$62,502. Payroll deductions and withholdings of \$9,987,213 are also included in accrued salaries and benefits.

9. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2024 are as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Principal Amounts Due Within One Year
Bond Series, 2015	\$ 60,925,000	\$ -	\$ 2,440,000	\$ 58,485,000	\$ 2,565,000
Bond Series, 2015B	9,270,000	-	2,990,000	6,280,000	3,125,000
Bond Series, 2017	37,365,000	-	1,220,000	36,145,000	1,280,000
Bond Series, 2018	45,485,000	-	1,345,000	44,140,000	1,410,000
Bond Series, 2019A	19,910,000	-	520,000	19,390,000	545,000
Bond Series, 2019B	6,770,000	-	810,000	5,960,000	855,000
Bond Series, 2020	<u>5,460,000</u>	<u>-</u>	<u>115,000</u>	<u>5,345,000</u>	<u>135,000</u>
Total bonds payable	185,185,000	-	9,440,000	175,745,000	<u>\$ 9,915,000</u>
Bond premium	<u>18,885,575</u>	<u>-</u>	<u>1,421,842</u>	<u>17,463,733</u>	
Total long-term debt	<u>\$ 204,070,575</u>	<u>\$ -</u>	<u>\$ 10,861,842</u>	<u>\$ 193,208,733</u>	

State College Area School District

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Long-term debt at June 30, 2024 consists of the following:

\$75,120,000 General Obligation Bonds, Series of 2015, due in varying annual installments through March 2040, interest rates of 3% to 5%	\$ 58,485,000
\$21,590,000 General Obligation Bonds, Series B of 2015, due in varying annual installments through May 2028, interest rates of 3% to 5%	6,280,000
\$43,840,000 General Obligation Bonds, Series of 2017, due in varying annual installments through May 2043, interest rates of 3% to 5%	36,145,000
\$51,285,000 General Obligation Bonds, Series of 2018, due in varying annual installments through November 2044, interest rates of 2% to 5%	44,140,000
\$21,330,000 General Obligation Bonds, Series A of 2019, due in varying annual installments through May 2044, interest rates of 4% to 5%	19,390,000
\$10,230,000 General Obligation Bonds, Series B of 2019, due in varying annual installments through November 2029, interest rate of 5%	5,960,000
\$5,975,000 General Obligation Bonds, Series of 2020, due in varying annual installments through March 2028, interest rate of 2% to 4%	5,345,000
Unamortized bond premium	<u>17,463,733</u>
Total	193,208,733
Current portion	<u>9,915,000</u>
Long-term debt	<u><u>\$ 183,293,733</u></u>

Debt service requirements at June 30, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2025	\$ 9,915,000	\$ 7,561,825	\$ 17,476,825
2026	10,405,000	7,065,800	17,470,800
2027	9,810,000	6,627,475	16,437,475
2028	10,235,000	6,201,475	16,436,475
2029	8,135,000	5,755,450	13,890,450
2030 – 2034	41,250,000	23,551,425	64,801,425
2035 – 2039	48,910,000	14,710,199	63,620,199
2040 – 2044	35,705,000	4,265,274	39,970,274
2045	<u>1,380,000</u>	<u>27,600</u>	<u>1,407,600</u>
Total	<u><u>\$ 175,745,000</u></u>	<u><u>\$ 75,766,523</u></u>	<u><u>\$ 251,511,523</u></u>

State College Area School District

Notes to Financial Statements

June 30, 2024

10. Fund Balance Classifications

The District presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable for inventories	<u>\$ 1,901,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,901,726</u>
Restricted for:					
Capital projects and debt services	<u>\$ -</u>	<u>\$ 73,620,691</u>	<u>\$ 3,750,183</u>	<u>\$ 521,667</u>	<u>\$ 77,892,541</u>
Assigned for:					
Career and Technology Center accounts	<u>\$ 70,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,154</u>
Committed for:					
Debt services	<u>\$ 27,389,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,389,041</u>
Health insurance	<u>9,392,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,392,790</u>
Total	<u>\$ 36,781,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,781,831</u>

11. Transactions With Other LEAs

The District is a member of Central Intermediate Unit 10. Through the membership, the District is able to secure various special services, including special education.

12. Retirement Plan

Plan Description

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

Benefits Provided

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

State College Area School District

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

Benefits are generally equal to 1% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times 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 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.

Member Contributions

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

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

State College Area School District

Notes to Financial Statements

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Shared Risk Program Summary

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

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 33.36%* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$27,079,946 for the year ended June 30, 2024.

*This includes the defined contribution rate of 0.27% which is an estimated rate.

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

At June 30, 2024, the District reported a liability of \$221,186,000 for its proportionate share of the PSERS net pension liability. The PSERS 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 PSERS total pension liability as of June 30, 2022 to June 30, 2023. The District's proportion of the PSERS 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 0.4972%, which was a decrease of 0.0160% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized pension expense of \$20,422,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,000	\$ 3,028,000
Net difference between projected and actual earnings on pension plan investments	6,259,000	-
Changes in assumptions	3,300,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	7,216,000	7,993,000
District contributions subsequent to the measurement date	27,079,946	-
Total	\$ 43,904,946	\$ 11,021,000

State College Area School District

Notes to Financial Statements

June 30, 2024

\$27,079,946 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, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2025	\$ 1,352,000
2026	(2,511,000)
2027	4,875,000
2028	<u>2,088,000</u>
Total	<u>\$ 5,804,000</u>

Changes in Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent 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 PSERS 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.

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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 PSERS 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.

Asset Class	Target	Long-Term
	Allocation	Expected Real Rate of Return
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 was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 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.

State College Area School District

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of 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	\$ 286,718,000	\$ 221,186,000	\$ 165,897,000

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 PSERS's website at www.psers.pa.gov.

13. Defined Contribution Plan

The District provides and administers a 403(b) defined contribution plan for its employees. The plan is defined within the teachers' contract (State College Area Education Association); however, all employees are eligible to participate. With the exception of retiring teachers and certain contracted employees, only employees contribute to the plan. Upon retirement, the District must also contribute the teacher's accrued sick and retirement bonus to the 403(b) plan. In 2024, total District contributions (including retirement bonus and sick payouts) were \$1,616,084.

14. Nonmonetary Transactions

The District receives USDA donated commodities in the Food Service Fund. These donated commodities are valued at an estimated market value and recognized as federal revenue, with unused commodities recorded as inventory. The total food commodities donated by the federal government and used by the District for fiscal year 2024 totaled \$517,752.

15. Lessee, Lease Liability

Governmental Activities (Internal Service Fund)

Lease Liability Description	Date of Issue	Final Maturity Interest Rates	Original Indebtedness	Balance
Postage Machine	October 2023 - October 2028	3.5 %	\$ 37,658	\$ 32,391
Copiers	October 2019 - October 2024	2.0	186,377	13,119
Copier	July 2022 - June 2027	3.86	154,160	96,528
Total				<u>\$ 142,038</u>

State College Area School District

Notes to Financial Statements

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Debt service requirements to maturity for governmental activities are as follows:

Years	Principal	Interest	Total
2025	\$ 51,158	\$ 5,254	\$ 56,412
2026	39,635	3,569	43,204
2027	41,240	1,964	43,204
2028	7,990	350	8,340
2029	2,015	71	2,086
Total	<u>\$ 142,038</u>	<u>\$ 11,208</u>	<u>\$ 153,246</u>

16. Other Postemployment Benefits (OPEB)

State College Area School District Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description and Benefits Provided

The State College OPEB Plan provides postemployment benefits and health insurance benefits upon retirement with 30 years of PSERS service or age 60 with 30 years of service, age 62 with one year of service or 35 years of service regardless of age. Retired employees are allowed to continue coverage for themselves and their dependents in the group health care plan until the retired employee reaches Medicare age, generally 65.

The minimum requirements of the State College OPEB Plan are established by Pennsylvania Act 110 of 1988 and Act 43 of 1989. The School Board could choose to improve upon the minimum requirements in the future. The State College OPEB Plan is unfunded and no financial report is prepared. The State College OPEB Plan is a single employer defined benefit OPEB plan administered by the District.

Employees Covered by Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	50
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,195</u>
Total	<u>1,245</u>

Total OPEB Liability - State College OPEB Plan

The District's total OPEB liability under the State College OPEB Plan as of June 30, 2024 was \$5,329,242, which was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

State College Area School District

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June 30, 2024

Actuarial Assumptions and Other Inputs

The total OPEB liability under the State College OPEB Plan, in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.13%
Salary increases	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Healthcare cost trend rates	7.0% in 2023. Rates gradually decrease from 7.0% in 2023 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term rate caps

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2023.

For mortality rates, separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study (census information) as of July 2022.

Changes in the State College OPEB Plan Liability

	State College OPEB Plan Liability
Balance, July 1, 2023	<u>\$ 4,957,344</u>
Changes for the year:	
Service cost	287,731
Interest	208,557
Differences between expected and actual experience	-
Changes in assumptions or other inputs	75,351
Benefit payments	<u>(199,741)</u>
Net changes	<u>371,898</u>
Balance, June 30, 2024	<u><u>\$ 5,329,242</u></u>

Changes in assumptions or other inputs reflect a change in the discount rate from 4.06% in 2022 to 4.13% in 2023.

State College Area School District

Notes to Financial Statements

June 30, 2024

Sensitivity of the State College OPEB Plan Liability to Changes in the Discount Rate

The following presents the State College OPEB Plan liability of the District, as well as what the State College OPEB Plan 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 discount rate:

	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
State College OPEB Plan Liability	\$ 5,741,262	\$ 5,329,242	\$ 4,940,488

Sensitivity of the State College OPEB Plan Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State College OPEB Plan Liability	\$ 4,723,038	\$ 5,329,242	\$ 6,041,947

State College OPEB Plan Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense of \$376,355. 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
Changes in assumptions	\$ 644,147	\$ 1,488,326
District contributions subsequent to the measurement date	227,817	-
Differences between expected and actual experience	15,637	457,748
	<u>\$ 887,601</u>	<u>\$ 1,946,074</u>

The \$227,817 of District contributions will be recognized as a reduction of the net OPEB liability in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2025	\$ (119,933)
2026	(119,933)
2027	(119,933)
2028	(119,933)
2029	(119,931)
Thereafter	(686,627)
Total	<u>\$ (1,286,290)</u>

General Information About the PSERS Health Insurance Premium Assistance Program

PSERS provides premium assistance, which is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.64% 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 \$519,519 for the year ended June 30, 2024.

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 \$9,003,000 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 PSERS' 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 0.4976%, which was a decrease of 0.0165% from its proportion measured as of June 30, 2023.

State College Area School District

Notes to Financial Statements

June 30, 2024

For the year ended June 30, 2024, the District recognized OPEB expense of \$351,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 778,000	\$ 1,704,000
Net differences between projected and actual investment earnings	20,000	-
Changes in proportion	586,000	551,000
Differences between expected and actual experience	59,000	89,000
Contributions subsequent to the measurement date	519,519	-
	<u>\$ 1,962,519</u>	<u>\$ 2,344,000</u>

\$519,519 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2025	\$ (101,000)
2026	(182,000)
2027	(246,000)
2028	(299,000)
2029	(73,000)
Total	<u>\$ (901,000)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2023 (the measurement date), was determined by rolling forward PSERS'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 percent of pay;
- Investment return - 4.13% - S&P 20 Year Municipal Bond Rate;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Premium Assistance reimbursement is capped at \$1,200 per year;
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year;

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- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- Participation rate;
 - Eligible retirees will elect to participate Pre age 65 at 50;
 - Eligible retirees will elect to participate Post age 65 at 70%.

The actuarial assumptions used in the June 30, 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 PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0 %	1.2 %

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

State College Area School District

Notes to Financial Statements
June 30, 2024

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 PSERS 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, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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 PSERS net OPEB liability for June 30, 2024, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Trends Cost Rate	1% Increase
PSERS Net OPEB Liability	\$ 9,002,000	\$ 9,003,000	\$ 9,003,000

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

The following presents the net OPEB liability, calculated using the discount rate of 4.13%, 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%)	Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 10,179,000	\$ 9,003,000	\$ 8,018,000

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 PSERS' website at www.psers.pa.gov.

State College Area School District

Notes to Financial Statements
June 30, 2024

17. Pending Changes in Accounting Principles

GASB has approved the following:

Statement No. 101, *Compensated Absences*

Statement No. 102, *Certain Risk Disclosures*

Statement No. 103, *Financial Reporting Model Improvements*

Statement No. 104, *Disclosure of Certain Capital Assets*

District management is in the process of evaluating these standards. When they become effective, application of these standards may restate portions of these financial statements.

18. Subsequent Events

In August, 2024, the District entered into a contract with architects for the Park Forest Middle School project for approximately \$7,475,000.

State College Area School District

Schedule of the District's Proportionate Share of the PSERS Net Pension Liability (Unaudited)

Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.4972%	0.5132%	0.4819%	0.5042%	0.4994%	0.4914%	0.4780%	0.4720%	0.4547%	0.4533%
District's proportionate share of the net pension liability	\$ 221,186,000	\$ 228,162,000	\$ 197,852,000	\$ 248,263,000	\$ 233,632,000	\$ 235,896,000	\$ 236,077,000	\$ 233,948,000	\$ 197,020,000	\$ 179,419,000
District's covered-employee payroll	\$ 76,231,881	\$ 75,596,220	\$ 68,392,796	\$ 70,863,185	\$ 68,875,231	\$ 66,177,871	\$ 63,641,184	\$ 61,126,703	\$ 58,505,811	\$ 57,843,267
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.1%	301.8%	289.3%	350.3%	339.2%	356.5%	371.0%	382.7%	336.8%	310.2%
PSERS Plan fiduciary net position as a percentage of the PSERS total pension liability	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note: Covered-employee payroll above represents the amount for the year coinciding with the measurement date.

State College Area School District

Schedule of District's PSERS Pension Contributions (Unaudited)

Years Ended June 30

	Last 10 Fiscal Years									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 27,079,946	\$ 25,954,966	\$ 25,140,151	\$ 23,045,152	\$ 23,724,772	\$ 22,512,929	\$ 17,424,223	\$ 14,234,693	\$ 12,097,807	\$ 9,336,223
Contributions in relation to the contractually required contribution	<u>(27,079,946)</u>	<u>(25,954,966)</u>	<u>(25,140,151)</u>	<u>(23,045,152)</u>	<u>(23,724,772)</u>	<u>(22,512,929)</u>	<u>(17,424,223)</u>	<u>(14,234,693)</u>	<u>(12,097,807)</u>	<u>(9,336,223)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 81,655,011	\$ 76,163,808	\$ 75,561,786	\$ 68,379,743	\$ 70,845,762	\$ 68,877,803	\$ 66,167,204	\$ 63,707,630	\$ 61,149,967	\$ 58,513,294
Contributions as a percentage of covered-employee payroll	33.16%	34.08%	33.27%	33.70%	33.49%	32.69%	26.33%	22.34%	19.78%	15.96%

State College Area School District**Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability (Unaudited)**

Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.4976%	0.5141%	0.4825%	0.5049%	0.4994%	0.4914%	0.4780%	0.4720%
District's proportionate share of the net OPEB liability	\$ 9,003,000	\$ 9,463,000	\$ 11,434,000	\$ 10,909,000	\$ 10,621,000	\$ 10,245,000	\$ 9,741,000	\$ 10,167,000
District's covered-employee payroll	\$ 76,231,881	\$ 75,596,220	\$ 68,392,796	\$ 70,863,185	\$ 68,875,231	\$ 66,177,871	\$ 63,641,184	\$ 61,126,703
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	11.8%	12.5%	16.7%	15.4%	15.4%	15.5%	15.3%	16.6%
PSERS Plan fiduciary net position as a percentage of the PSERS total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Data is not available for years prior to June 30, 2017

Note: Covered-employee payroll above represents the amount for the year coinciding with the measurement date.

State College Area School District

Schedule of District's PSERS OPEB Contributions (Unaudited)
Years Ended June 30

	Last 10 Fiscal Years									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 519,519	\$ 564,075	\$ 606,884	\$ 560,909	\$ 595,779	\$ 573,182	\$ 538,893	\$ 440,248	\$ 504,075	\$ 491,380
Contributions in relation to the contractually required contribution	(519,519)	(564,075)	(606,884)	(560,909)	(595,779)	(573,182)	(538,893)	(440,248)	(504,075)	(491,380)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 81,655,011	\$ 76,163,808	\$ 75,561,786	\$ 68,379,743	\$ 70,845,762	\$ 68,877,803	\$ 66,167,204	\$ 63,707,630	\$ 61,149,967	\$ 58,513,294
Contributions as a percentage of covered-employee payroll	0.64%	0.74%	0.80%	0.82%	0.84%	0.83%	0.81%	0.69%	0.82%	0.84%

State College Area School District

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios - District Plan

Years Ended June 30

(Unaudited)

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 287,731	\$ 449,901	\$ 449,059	\$ 390,575	\$ 390,226	\$ 349,168	\$ 333,833
Interest cost	208,557	146,641	115,730	193,099	166,522	161,483	115,773
Differences between expected and actual experience	-	(42,362)	-	(610,198)	-	29,035	-
Changes of assumptions	75,351	(1,499,830)	(184,654)	643,219	(156,696)	70,364	220,514
Benefit payments, including refunds of member contributions	(199,741)	(171,762)	(171,026)	(234,484)	(249,595)	(190,066)	(158,873)
Net change in total OPEB liability	371,898	(1,117,412)	209,109	382,211	150,457	419,984	511,247
Total OPEB Liability, Beginning	<u>4,957,344</u>	<u>6,074,756</u>	<u>5,865,647</u>	<u>5,483,436</u>	<u>5,332,979</u>	<u>4,912,995</u>	<u>4,401,748</u>
Total OPEB Liability, Ending	<u>\$ 5,329,242</u>	<u>\$ 4,957,344</u>	<u>\$ 6,074,756</u>	<u>\$ 5,865,647</u>	<u>\$ 5,483,436</u>	<u>\$ 5,332,979</u>	<u>\$ 4,912,995</u>
Covered-Employee Payroll	<u>\$ 68,403,692</u>	<u>\$ 68,403,692</u>	<u>\$ 64,609,712</u>	<u>\$ 64,609,712</u>	<u>\$ 65,136,517</u>	<u>\$ 65,136,517</u>	<u>\$ 59,749,056</u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	<u>7.79%</u>	<u>7.25%</u>	<u>9.40%</u>	<u>9.08%</u>	<u>8.42%</u>	<u>8.19%</u>	<u>8.22%</u>

The District implemented GASB Statement No. 75 during its year ended June 30, 2018.

Information prior to 2018 year is not available.

**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***

Independent Auditors' Report

To the Board of Directors of
State College Area School District

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of State College Area School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

State College, Pennsylvania
December 16, 2024

**Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of
State College Area School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited State College Area School District's (the District) 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 the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 GAAS, *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 the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Baker Tilly US, LLP

State College, Pennsylvania
December 16, 2024

State College Area School District

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund Year Ended June 30, 2024

Revenues

Local sources:

Current taxation:

Real estate	\$ 119,327,462
Earned income tax	22,403,264
Local service tax	374,634
Real estate transfers	2,555,626
Payments in lieu of taxes	675,407
Public utility realty tax	120,857

Total current taxation 145,457,250

Delinquent taxation 1,137,565

Total from taxation 146,594,815

Earnings from temporary investments and deposits 5,783,812

Receipts from other LEA's 43,776

Tuition 1,612,462

IDEA 1,074,369

Miscellaneous revenue 666,322

Total local sources 155,775,556

State sources:

Basic instructional subsidy 12,490,613

Private placement tuition 117,516

Vocational education 282,520

Special education 3,536,977

Transportation 872,458

Rental and sinking fund payments 910,702

Medical and dental services 136,976

Property tax reduction 1,794,014

Social Security subsidy 3,018,260

Retirement subsidy 13,836,988

Other state grants 549,120

Total state sources 37,546,144

Federal sources:

Title I 867,040

Title II A 157,447

Secondary Allocation 82,230

Title III 47,872

Title IV 50,781

Education Stabilization Funds 194,962

Medical Assistance 495,005

Other federal 13,724

ACCESS 4,229

Total federal sources 1,913,290

Total revenues 195,234,990

State College Area School District

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund Year Ended June 30, 2024

Expenditures

Instruction:

Regular programs	\$ 73,620,377
Special programs	24,673,650
Vocational education programs	4,438,532
Other instructional programs	3,106,223
Adult education programs	8,143
Nonpublic school programs	18,144

Total instruction 105,865,069

Support services:

Students	7,616,198
Instructional staff	7,204,470
Administration	10,299,036
Pupil health	2,987,084
Business	2,023,415
Operation and maintenance of plant services	13,663,566
Student transportation services	6,992,465
Central	8,441,956

Total support services 59,228,190

Noninstructional services:

Student activities	3,120,110
Community services	42,183

Total noninstructional services 3,162,293

Facilities acquisition, construction and improvement services

1,800

Total expenditures 168,257,352

Excess of revenues over expenditures before other
before other financing sources (uses)

26,977,638

Other Financing Sources (Uses)

Refund of prior year receipts	(154,496)
Transfers out	(25,105,817)

Total other financing uses, net (25,260,313)

Change in fund balances 1,717,325

Fund Balance, Beginning

51,599,289

Fund Balance, Ending

\$ 53,316,614

State College Area School District

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2024

	<u>Student Activity</u>
Assets	
Assets	
Cash and cash equivalents	<u>\$ 925,584</u>
Liabilities and Fund Balances	
Liabilities	
Due to other funds	\$ 383,391
Accounts payable	<u> 20,526</u>
Total liabilities	403,917
Fund Balances	
Restricted	<u>521,667</u>
Total	<u>\$ 925,584</u>

State College Area School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Previous Year Nonmajor Fund Capital Projects	Debt Service	Student Activity	Total
Revenues				
Local sources	\$ -	\$ -	\$ 357,026	\$ 357,026
Expenditures				
Noninstructional services	-	-	309,460	309,460
Debt service	-	17,474,425	-	17,474,425
Total expenditures	-	17,474,425	309,460	17,783,885
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	-	(17,474,425)	47,566	(17,426,859)
Other Financing Sources				
Transfer in	-	17,474,425	-	17,474,425
Changes in fund balances	-	-	47,566	47,566
Fund Balances, Beginning, as Previously Reported	7,688,527	-	474,101	8,162,628
Accounting Changes (see Note Disclosure)	(7,688,527)	-	-	(7,688,527)
Fund Balances, Beginning, as Adjusted	-	-	474,101	474,101
Fund Balances, Ending	\$ -	\$ -	\$ 521,667	\$ 521,667

State College Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Passed Through Grantor's Number	Grant Period Code	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2023	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2024	Expenditures to Subrecipients
U.S. Department of Education											
Passed Through the PA Department of Education:											
Title I, Part A:											
Title I Grants to Local Educational Agencies	I	84.010	013-240418	C	\$ 847,582	\$ 664,501	\$ -	\$ 830,296	\$ 830,296	\$ 165,795	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-230418	B	664,458	151,869	108,747	36,744	36,744	(6,378)	-
Total Title I, Part A						816,370	108,747	867,040	867,040	159,417	-
Career and Technical Education - Basic Grants to States	I	84.048	380-240007	C	82,230	75,378	-	82,230	82,230	6,852	-
English Language Acquisition State Grants	I	84.365	010-240418	C	51,150	30,807	-	31,770	31,770	963	-
English Language Acquisition State Grants	I	84.365	010-230418	B	47,965	18,778	2,676	16,102	16,102	-	-
Total English Language Acquisition State Grants						49,585	2,676	47,872	47,872	963	-
Supporting Effective Instruction State Grants	I	84.367	020-220418	A	133,842	-	(3,162)	3,162	3,162	-	-
Supporting Effective Instruction State Grants	I	84.367	020-240418	C	156,594	122,153	-	141,569	141,569	19,416	-
Supporting Effective Instruction State Grants	I	84.367	020-230418	B	141,820	31,107	13,904	12,716	12,716	(4,487)	-
Total Improving Teacher Quality State Grants						153,260	10,742	157,447	157,447	14,929	-
Student Support and Academic Enrichment Program	I	84.424	144-220418	A	52,864	-	(6,635)	6,635	6,635	-	-
Student Support and Academic Enrichment Program	I	84.424	144-240418	C	52,601	26,300	-	24,812	24,812	(1,488)	-
Student Support and Academic Enrichment Program	I	84.424	144-230418	B	49,537	15,831	(6,013)	19,334	19,334	(2,510)	-
Total Student Support and Academic Enrichment Program						42,131	(12,648)	50,781	50,781	(3,998)	-
Education Stabilization Funds											
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	I	84.425U	225-210418	A	58,300	10,600	(15,115)	25,518	25,518	(197)	-
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	I	84.425U	225-210418	A	58,300	10,600	(9,771)	-	-	(20,371)	-
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	I	84.425U	225-210418	A	291,500	53,000	67,603	3,482	3,482	18,085	-
COVID-19 - ARP - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-21-2416	A	34,991	21,533	4,801	16,259	16,259	(473)	-
COVID-19 - American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief Fund	I	84.425U	223-210418	A	5,250,729	286,403	136,700	149,703	149,703	-	-
Total Education Stabilization Funds						382,136	184,218	194,962	194,962	(2,956)	-
Total PA Department of Education						1,518,860	293,735	1,400,332	1,400,332	175,207	-

See notes to schedule of expenditures of federal awards

State College Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Passed Through Grantor's Number	Grant Period Code	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2023	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2024	Expenditures to Subrecipients
Passed Trough Central Intermediate Unit #10:											
Special Education Cluster (IDEA):											
COVID-19 - Special Education - Grants to States	I	84.027	062-22-0-010	A	\$ 1,043,309	\$ 10,815	\$ 10,815	\$ -	\$ -	\$ -	\$ -
Special Education - Grants to States	I	84.027	062-23-0-010	B	890,576	305,689	305,689	76,316	76,316	76,316	-
Special Education - Grants to States	I	84.027	062-24-0-010	C	991,118	-	-	991,118	991,118	991,118	-
Special Education Preschool Grants	I	84.173	131-23-0-010	C	6,935	6,935	-	6,935	6,935	-	-
Passed Through Intermediate Unit #13:											
Special Education - Grants to States	I	84.027	062-23-0-033	C	70,000	70,000	70,000	-	-	-	-
Total Special Education Cluster (IDEA)						393,439	386,504	1,074,369	1,074,369	1,067,434	-
Total U.S. Department of Education						1,912,299	680,239	2,474,701	2,474,701	1,242,641	-
U.S. Department of Health and Human Services											
Passed Through PA Department of Health and Human Services:											
COVID-19 - Medical Assistance (ACCESS), Medicaid Cluster	I	93.778	044-007418	C	4,229	4,229	-	4,229	4,229	-	-
Passed Through PA Department of Education:											
Afghan Refugee School Impact Grant Program	I	93.566	141,757	C	20,910	19,294	5,570	13,724	13,724	-	-
Total U.S. Department of Health and Human Services						23,523	5,570	17,953	17,953	-	-
U.S. Department of Agriculture											
Passed Through PA Department of Education:											
COVID-19 - Pandemic EBT Administrative Costs	I	10.649	358-000	C		5,763	-	5,763	5,763	-	-
Child Nutrition Cluster:											
Passed Through PA Department of Education:											
COVID-19 - National School Lunch Program	I (F)	10.555	362-0000	C	NOTE 5	1,048,173	159,319	1,025,433	1,025,433	136,579	-
COVID-19 - School Breakfast Program	I (F)	10.553	365-0000	C	NOTE 5	327,392	47,777	323,617	323,617	44,002	-
COVID-19 - Summer Food Service Program for Children	I (F)	10.559	264-0000	C	NOTE 5	-	-	39,516	39,516	39,516	-
COVID-19 - National School Lunch Program	I (F)	10.555	356-000	C	NOTE 5	161,306	(80,006)	215,360	215,360	(25,952)	-
Passed Through the PA Department of Agriculture,											
COVID-19 - National School Lunch Program	I	10.555	110-14-800-2	C	NOTE 5	541,384	(16,233)	517,752	517,752	(39,865)	-
Total Child Nutrition Cluster						2,078,255	110,857	2,121,678	2,121,678	154,280	-
Total U.S. Department of Agriculture						2,084,018	110,857	2,127,441	2,127,441	154,280	-
Total						\$ 4,019,840	\$ 796,666	\$ 4,620,095	\$ 4,620,095	\$ 1,396,921	\$ -

See notes to schedule of expenditures of federal awards

State College Area School District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal award activity of the State College Area School District (the 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 select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position (deficit) or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting for the Child Nutrition Cluster and the modified accrual basis of accounting for all remaining programs. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. On the accrual basis, i.e., recognition occurs when the revenue has been earned and the liability is incurred. 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, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. Access Reimbursements

Access reimbursements for direct medical services are classified as fee-for-service revenues and are not considered federal awards. The General Fund federal revenues include \$495,005 of ACCESS reimbursements for direct medical services.

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports.

5. National School Lunch Program

The program amount for the National School Lunch Program is based on a set per meal reimbursement rate.

State College Area School District

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

6. Source Codes and Grant Period Codes

Source codes used in the Schedule are as follows:

I = Indirect funding

F = Federal share

Grant period codes used in the Schedule are as follows:

A = 07/01/21 - 06/30/22

B = 07/01/22 - 06/30/23

C = 07/01/23 - 06/30/24

7. Indirect Cost Rate

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

State College Area School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

 X no

Significant deficiency(ies) identified?

_____ yes

 X none reported

Noncompliance material to financial statements noted?

_____ yes

 X no

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?

_____ yes

 X no

Significant deficiency(ies) identified?

_____ yes

 X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes

 X no

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010 10.553, 10.555, 10.559	Title I Grants to Local Educational Agencies Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes

_____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary Schedule of Prior Year Audit Findings

There were no findings related to the financial statement audit or major federal award programs noted in the June 30, 2023 Single Audit.