

**McKeesport Area School District
Financial Statements
June 30, 2024**

 Hosack, Specht
Muetzel & Wood

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Members of the Board
McKeesport Area School District
McKeesport, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McKeesport Area School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise McKeesport Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McKeesport Area School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information as shown 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 McKeesport Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2025, on our consideration of McKeesport Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McKeesport Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McKeesport Area School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzl & Wood LLP
HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
March 26, 2025

McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024

The discussion and analysis of McKeesport Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

For the 2023/2024 fiscal year, McKeesport Area School District increased expenditure in Instructional overall at 5% or \$1,600,958 and Transportation, \$765,589 or 23%. There was also an increase in the security budget of \$158,000 with the additional of a full time police chief and the change in security companies. Revenues far exceeded the anticipated expenses mainly due to the \$9,515,181 that was received in ESSERS funding. It is anticipated that \$351,184 of the fund balance will be used to balance the 2024/2025 budget

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand McKeesport Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The government funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

Figure A – 1
Required Components of
McKeesport Area School District's
Financial Report

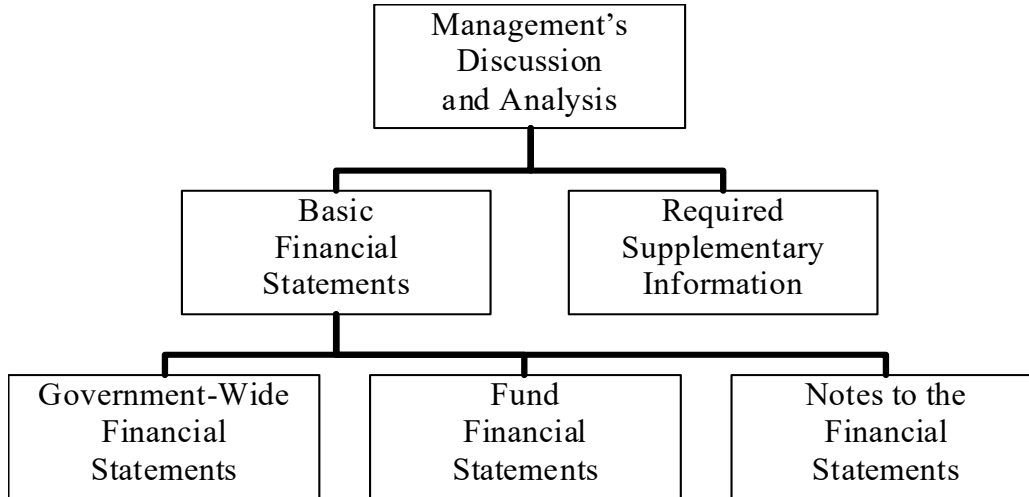


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**McKeesport Area School District
Management’s Discussion and Analysis
June 30, 2024**

Figure A – 2
Major Features of McKeesport Area School District’s
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else’s resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is only one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional factors, such as changes in the School District's property tax base, mandates placed on the School District which may require additional expenditures and the reliance on sources of revenues not under the School District's control.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.

- **Business-type activities** - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for some other funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and statement of change in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(57,772,229) at June 30, 2024 and a deficit \$(75,172,274) at June 30, 2023.

Table A - 1
Years Ended June 30, 2024 and 2023
Net Position

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 45,182,242	\$ 1,665,236	\$ 46,847,478	\$ 29,501,257	\$ 2,200,461	\$ 31,701,718
Capital Assets	97,252,943	1,100,480	98,353,423	98,352,029	439,169	98,791,198
Total Assets	142,435,185	2,765,716	145,200,901	127,853,286	2,639,630	130,492,916
Deferred Outflows of Resources	19,555,014	147,590	19,702,604	19,276,765	243,334	19,520,099
Current and Other Liabilities	14,642,887	84,155	14,727,042	9,194,682	93,098	9,287,780
Noncurrent Liabilities						
Due Within One Year	7,336,870	-	7,336,870	7,096,504	-	7,096,504
Due in More Than One Year	191,922,522	1,280,712	193,203,234	201,179,657	1,686,467	202,866,124
Total Liabilities	213,902,279	1,364,867	215,267,146	217,470,843	1,779,565	219,250,408
Deferred Inflows of Resources	7,320,500	88,088	7,408,588	5,864,597	70,284	5,934,881

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

Table A - 1
Years Ended June 30, 2024 and 2023
Net Position

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	6,151,786	1,100,480	7,252,266	2,226,763	439,169	2,665,932
Unrestricted	<u>(65,384,366)</u>	<u>359,871</u>	<u>(65,024,495)</u>	<u>(78,432,152)</u>	<u>593,946</u>	<u>(77,838,206)</u>
Total Net Position	<u>\$ (59,232,580)</u>	<u>\$ 1,460,351</u>	<u>\$ (57,772,229)</u>	<u>\$ (76,205,389)</u>	<u>\$ 1,033,115</u>	<u>\$ (75,172,274)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania and the local taxes (property and earned income) assessed to community taxpayers.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

Table A - 2
Years Ended June 30, 2024 and 2023
Change in Net Position

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 120,720	\$ 120,720	\$ -	\$ 62,244	\$ 62,244
Operating Grants and Contribs.	32,709,930	2,732,061	35,441,991	28,919,394	2,787,454	31,706,848
Capital Grants and Contribs.	1,222,958	-	1,222,958	1,296,475	-	1,296,475
General Revenues						
Property Taxes	14,780,672	-	14,780,672	14,771,677	-	14,771,677
Other Taxes	3,673,802	-	3,673,802	3,498,992	-	3,498,992
Grants, Subsidies and Contribs.						
Unrestricted	42,378,709	-	42,378,709	38,196,553	-	38,196,553
Investment Earnings	1,052,349	75,111	1,127,460	424,433	57,156	481,589
Other	198,510	-	198,510	172,624	-	172,624
Total Revenues	96,016,930	2,927,892	98,944,822	87,280,148	2,906,854	90,187,002
Expenses						
Instruction	52,521,417	-	52,521,417	47,157,260	-	47,157,260
Instructional Student Support	3,860,213	-	3,860,213	3,483,608	-	3,483,608
Admin. and Fin. Support Svcs.	6,046,995	-	6,046,995	5,227,910	-	5,227,910
Operation and Maintenance						
of Plant Services	6,219,132	-	6,219,132	5,969,367	-	5,969,367
Pupil Transportation	3,797,115	-	3,797,115	3,421,223	-	3,421,223
Student Activities	1,263,569	-	1,263,569	1,231,131	-	1,231,131
Community Services	53,106	-	53,106	167,692	-	167,692
Interest on Long-Term Debt	5,282,574	-	5,282,574	5,212,796	-	5,212,796
Food Service	-	2,500,656	2,500,656	-	2,137,114	2,137,114
Total Expenses	79,044,121	2,500,656	81,544,777	71,870,987	2,137,114	74,008,101
Increase (Decrease) in Net Position	16,972,809	427,236	17,400,045	15,409,161	769,740	16,178,901
Beginning Net Position	(76,205,389)	1,033,115	(75,172,274)	(91,614,550)	263,375	(91,351,175)
Ending Net Position	<u>\$ (59,232,580)</u>	<u>\$ 1,460,351</u>	<u>\$ (57,772,229)</u>	<u>\$ (76,205,389)</u>	<u>\$ 1,033,115</u>	<u>\$ (75,172,274)</u>

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, interest on debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A - 3
Years Ended June 30, 2024 and 2023
Governmental Activities

	2024		2023	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 52,521,417	\$27,681,950	\$ 47,157,260	\$27,205,719
Instructional Student Support	3,860,213	1,260,871	3,483,608	246,803
Admin. and Fin. Support Svcs.	6,046,995	3,844,177	5,227,910	3,471,524
Operation and Maintenance of Plant Services	6,219,132	5,215,680	5,969,367	4,634,198
Pupil Transportation	3,797,115	2,623,119	3,421,223	1,861,906
Student Activities	1,263,569	1,118,801	1,231,131	1,042,570
Community Services	53,106	17,098	167,692	(6,693)
Interest on Long-Term Debt	<u>5,282,574</u>	<u>3,349,537</u>	<u>5,212,796</u>	<u>3,199,091</u>
Total Governmental Activities	<u>\$ 79,044,121</u>	45,111,233	<u>\$ 71,870,987</u>	41,655,118
Less:				
Unrestricted Grants, Subsidies		<u>(42,378,709)</u>		<u>(38,196,553)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 2,732,524</u>		<u>\$ 3,458,565</u>

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A - 4
Years Ended June 30, 2024 and 2023
Business-Type Activities

	2024		2023	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$2,500,656</u>	\$ (352,125)	<u>\$2,137,114</u>	\$ (712,584)
Add/Less:				
Investment Earnings		<u>(75,111)</u>		<u>(57,156)</u>
Total Business-Type Activities		<u>\$ (427,236)</u>		<u>\$ (769,740)</u>

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2024, the School District's general fund had a fund balance of \$24,537,823, which was an increase of \$8,032,518 from the June 30, 2023 fund balance. Considering that the budget projected an increase of only \$3,969,219 of the School District's fund balance, the actual results of the fiscal year were positive. The primary reasons for this are that total expenditures came in below budget by \$1,915,770 before approving a transfer to the capital projects fund. Revenues came in over budget with the most significant areas being in the additional federal revenues provided through ESSERS and the State Level up Grant, as well as other federal and state revenues for additional grants applied for and received by the School District.

In addition to the general fund, the School District has a capital projects fund which is part of its governmental activities. The School District has completed its major construction/renovation program and this fund was established to provide for the costs of these School District facility improvements. A balance remains in this fund mainly due to the transfer from the general fund in the current fiscal year. The district is looking at the need to invest considerable assets to address aging infrastructure, roof replacement and resurfacing of the parking areas.

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

General Fund Budget

During the fiscal year, the Board of School Directors authorizes budgetary transfers to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All budgetary transfers are confirmed at the time the annual audit is accepted, after the end of the fiscal year. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the audit report. Transfers between specific categories of expenditures occur during the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2024, the School District had \$97,252,943 invested in a broad range of capital assets, including land, buildings, furniture, equipment and intangible right-to-use assets. This amount reflects a net decrease (including additions, deletions and depreciation/amortization) of \$1,099,086 or 1.1% from the year ending June 30, 2023.

Table A - 5
Governmental Activities
Capital Assets - Net of Depreciation/Amortization

	2024	2023
Land and Land Improvements	\$ 3,628,136	\$ 2,121,442
Buildings and Building Improvements	92,647,870	94,929,046
Furniture and Equipment	465,498	532,547
Intangible Right-to-Use Assets	511,439	768,994

Debt Administration

As of July 1, 2023, the School District included in its long-term liabilities \$114,014,862 for general obligation bonds and notes payable. During the year, the School District issued no new debt and had accretions in the amount of \$1,476,858 and retirements of \$6,745,000 in general obligation bonds and notes resulting in an ending balance of \$108,746,720.

Table A - 6
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/24	As of 06/30/23
Bonds - Series of 1997D	\$ 3,030,370	\$ 3,901,909
Bonds - Series of 1999C	9,203,230	9,254,188
Bonds - Series of 2001	2,839,599	2,688,855
Bonds - Series of 2003B	2,723,394	2,581,068
Bonds - Series of 2005B	4,268,591	4,056,946
Bonds - Series of 2005B-1	1,691,536	1,606,896
Bonds - Series of 2011(QSCB)	3,000,000	4,000,000

**McKeesport Area School District
Management's Discussion and Analysis
June 30, 2024**

Table A - 6
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/24	As of 06/30/23
Bonds - Series of 2017A	3,110,000	3,570,000
Bonds - Series of 2017B	5,435,000	5,600,000
Bonds - Series of 2019A	6,000,000	6,190,000
Bonds - Series of 2019B	3,765,000	3,770,000
Bonds - Series of 2020A	2,580,000	2,995,000
Bonds - Series of 2020B	8,310,000	8,310,000
Bonds - Series of 2021A	22,610,000	24,740,000
Bonds - Series of 2021B	29,235,000	29,240,000
Notes - Series of 2016	945,000	1,510,000

Economic Factors and Next Year's Budgets and Rates

The school district does not expect to see any significant increases in local revenues. The MV/PI Ratio went from .7855 in 2022-2023 to .7982 in 2023-2024. The millage rate remains at 20.96 mills in 2023-2024 as it has in the past 3 fiscal years. The 2024-2025 budget does not include any milage increases and continues to be lower than most school districts in Allegheny County. In addition, the School District provided a homestead exclusion for all eligible homesteads. This effectively reduced collected Real Estate Taxes by \$3,074,049. Health insurance saw a 12% increase in the 2023-2024 year so the district has been budgeting at higher percentages in anticipation of any future increases.

Total revenue did increase due to an increase in both state and federal funding. Actual expenditures for the fiscal year were far less than revenues mainly due to the ESSER funding, which was \$9,515,181 for the 2023-2024 year. The 2024-2025 budget has budgeted ESSER funds to be far less at \$1,586,348 due to the funding that is ending. The 2024-2025 budget is anticipated to use \$351,184 of fund balance.

**McKeesport Area School District
Management’s Discussion and Analysis
June 30, 2024**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2024/2025	Actual Revenue 2023/2024
Local	24.0%	23.3%
State	70.3%	61.0%
Federal	5.7%	15.5%
Other Financing Sources	0.0%	0.2%

	Budgeted Expenditures 2024/2025	Actual Expenditures 2023/2024
Instruction	60.3%	59.8%
Support Services	26.6%	23.1%
Noninstructional Services	1.8%	1.5%
Capital Outlay	0.0%	1.4%
Fund Transfers/Debt/Other	11.3%	14.2%

Special Session Act 1 - The Taxpayer Relief Act

On July 27, 2006, Governor Edward Rendell signed into law Special Sessions Act 1, also known as the Taxpayer Relief Act, which changed various aspects of Act 72 in 2004, originally signed into law in July 2004. Act 72 established a distribution system mechanism for new revenues that are expected to be available from the legalization of slot machines in various areas around the state. The main objective of the law was to increase state funding for education, thereby reducing local property taxes given the relative dependence of local school districts on such taxes.

One significant change contained in the new legislation is the expansion of property tax rate limits to all school districts in the state. Beginning in the 2007/2008 fiscal year, school districts will be required to hold tax rate increases to an annual index based on the average increase in the statewide average weekly wage and the employment cost index for schools. School districts may seek a variety of exemptions to the limit that need approval either from the Court of Common Pleas or the Pennsylvania Department of Education. School districts that do not seek an exemption will be required to hold a referendum in order to increase the property tax millage beyond the index.

Contacting the School District Financial Management

Our financial report provides our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District’s finances and to show the Board’s accountability for the funds it receives. If you have questions about this report, please contact the Business Office at McKeesport Area School District, 3590 O’Neil Boulevard, McKeesport, PA 15132, 412-664-3600.

McKeesport Area School District
Statement of Net Position
June 30, 2024

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 32,544,665	\$ 1,552,631	\$ 34,097,296
Taxes Receivable, Net	5,497,926	-	5,497,926
Internal Balances	(63,166)	63,166	-
Due From Other Governments	6,758,329	12,012	6,770,341
Other Receivables	444,488	2,548	447,036
Inventories	-	34,879	34,879
Capital Assets not Being Depreciated			
Land	1,066,820	-	1,066,820
Capital Assets, Net			
Land Improvements	2,561,316	-	2,561,316
Building & Building Improvements	92,647,870	-	92,647,870
Furniture & Equipment	465,498	1,100,480	1,565,978
Intangible Right-to-Use Assets	511,439	-	511,439
TOTAL ASSETS	142,435,185	2,765,716	145,200,901
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	4,772,228	-	4,772,228
Amounts Related to OPEB - District	1,464,143	-	1,464,143
Amounts Related to OPEB - PSERS	516,408	7,178	523,586
Amounts Related to Pension	12,802,235	140,412	12,942,647
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,555,014	147,590	19,702,604
LIABILITIES			
Accounts Payable	6,519,673	73,263	6,592,936
Contracts Payable	328,787	-	328,787
Accrued Salaries and Benefits	6,762,813	-	6,762,813
Payroll Deductions and Withholdings	3,922	-	3,922
Unearned Revenues	355,000	10,083	365,083
Other Current Liabilities	15,449	809	16,258
Accrued Interest	657,243	-	657,243
Noncurrent Liabilities:			
Due Within One Year	7,336,870	-	7,336,870
Due in More Than One Year:			
Notes Payable	360,000	-	360,000
Leases Payable	91,007	-	91,007
Subscription Payable	224,896	-	224,896
Compensated Absences	1,483,942	8,980	1,492,922
Bonds Payable	105,027,396	-	105,027,396
Other Post-Employment Benefits - District	8,134,013	-	8,134,013
Other Post-Employment Benefits - PSERS	2,997,242	49,758	3,047,000
Net Pension Liability	73,604,026	1,221,974	74,826,000
TOTAL LIABILITIES	213,902,279	1,364,867	215,267,146
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	2,014,588	-	2,014,588
Amounts Related to OPEB - PSERS	824,316	13,684	838,000
Amounts Related to Pension	4,481,596	74,404	4,556,000
TOTAL DEFERRED INFLOWS OF RESOURCES	7,320,500	88,088	7,408,588
NET POSITION			
Net Investment in Capital Assets	6,151,786	1,100,480	7,252,266
Unrestricted	(65,384,366)	359,871	(65,024,495)
TOTAL NET POSITION	\$ (59,232,580)	\$ 1,460,351	\$ (57,772,229)

See Accompanying Notes

McKeesport Area School District
Statement of Activities
Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 52,521,417	\$ -	\$ 24,839,467	\$ -	\$ (27,681,950)	\$ -	\$ (27,681,950)
Instructional Student Support	3,860,213	-	2,599,342	-	(1,260,871)	-	(1,260,871)
Administrative and Financial Support Services	6,046,995	-	2,202,818	-	(3,844,177)	-	(3,844,177)
Operation and Maintenance of Plant Services	6,219,132	-	1,003,452	-	(5,215,680)	-	(5,215,680)
Pupil Transportation	3,797,115	-	1,173,996	-	(2,623,119)	-	(2,623,119)
Student Activities	1,263,569	-	144,768	-	(1,118,801)	-	(1,118,801)
Community Services	53,106	-	36,008	-	(17,098)	-	(17,098)
Interest on Long-Term Debt	5,282,574	-	710,079	1,222,958	(3,349,537)	-	(3,349,537)
Total Governmental Activities	79,044,121	-	32,709,930	1,222,958	(45,111,233)	-	(45,111,233)
Business-Type Activities:							
Food Service	2,500,656	120,720	2,732,061	-	-	352,125	352,125
Total Primary Government	\$ 81,544,777	\$ 120,720	\$ 35,441,991	\$ 1,222,958	(45,111,233)	352,125	(44,759,108)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					14,780,672	-	14,780,672
Earned Income Taxes					2,642,699	-	2,642,699
Business Privilege Taxes					332,634	-	332,634
Mercantile Taxes					285,301	-	285,301
Real Estate Transfer Taxes					349,583	-	349,583
Other Taxes Levied for General Purposes, Net					63,585	-	63,585
Grants, Subsidies and Contributions not Restricted					42,378,709	-	42,378,709
Investment Earnings					1,052,349	75,111	1,127,460
Miscellaneous Income					198,510	-	198,510
Total General Revenues					62,084,042	75,111	62,159,153
Change in Net Position					16,972,809	427,236	17,400,045
Net Position - July 1, 2023					(76,205,389)	1,033,115	(75,172,274)
Net Position - June 30, 2024					\$ (59,232,580)	\$ 1,460,351	\$ (57,772,229)

See Accompanying Notes

McKeesport Area School District
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 30,325,810	\$ 85,466	\$ 2,133,389	\$ 32,544,665
Taxes Receivable, Net	5,497,926	-	-	5,497,926
Due from Other Governments	6,758,329	-	-	6,758,329
Other Receivables	444,488	-	-	444,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 43,026,553</u>	<u>\$ 85,466</u>	<u>\$ 2,133,389</u>	<u>\$ 45,245,408</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 63,166	\$ -	\$ -	\$ 63,166
Accounts Payable	6,519,673	-	-	6,519,673
Contracts Payable	-	-	328,787	328,787
Accrued Salaries and Benefits	6,762,813	-	-	6,762,813
Payroll Deductions and Withholdings	3,922	-	-	3,922
Other Current Liabilities	15,449	-	-	15,449
Unearned Revenues	355,000	-	-	355,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>13,720,023</u>	<u>-</u>	<u>328,787</u>	<u>14,048,810</u>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	4,768,707	-	-	4,768,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	-	85,466	-	85,466
Committed	-	-	1,804,602	1,804,602
Assigned	17,977,823	-	-	17,977,823
Unassigned	6,560,000	-	-	6,560,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>24,537,823</u>	<u>85,466</u>	<u>1,804,602</u>	<u>26,427,891</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 43,026,553</u>	<u>\$ 85,466</u>	<u>\$ 2,133,389</u>	<u>\$ 45,245,408</u>

See Accompanying Notes

McKeesport Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 26,427,891
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$150,962,597, and the accumulated depreciation is \$54,221,093.</p>		96,741,504
<p>Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$1,080,943 and the accumulated amortization is \$569,504.</p>		511,439
<p>Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and, therefore, are not reported as assets in governmental funds.</p>		4,768,707
<p>Premium and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.</p>		(3,579,654)
<p>Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position.</p>		4,772,228
<p>Long-term liabilities, including bonds, note, financing and leases 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:</p>		
Bonds Payable	\$ (107,801,720)	
Accrued Interest on the Bonds	(657,243)	
Leases Payable	(224,265)	
Subscription Payable	(304,186)	
Financing Agreement Payable	(73,649)	
Notes Payable	(945,000)	
Other Post-Employment Benefits Payable - District	(8,134,013)	
Compensated Absences	(1,595,637)	(119,735,713)

McKeesport Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Exhibit 4

Some liabilities including net pension obligations and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - PSERS	(2,997,242)	
Net Pension Liability	<u>(73,604,026)</u>	(76,601,268)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	12,802,235	
Deferred Inflows of Resources Related to Pensions	(4,481,596)	
Deferred Outflows of Resources Related to OPEB - District	1,464,143	
Deferred Inflows of Resources Related to OPEB - District	(2,014,588)	
Deferred Outflows of Resources Related to OPEB - PSERS	516,408	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(824,316)</u>	<u>7,462,286</u>

Total Net Position - Governmental Activities		<u>\$ (59,232,580)</u>
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See Accompanying Notes

**McKeesport Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024**

Exhibit 5

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Local Sources	\$ 21,954,865	\$ 4,236	\$ 35,043	\$ 21,994,144
State Sources	57,488,579	-	-	57,488,579
Federal Sources	14,627,456	-	-	14,627,456
	<u>94,070,900</u>	<u>4,236</u>	<u>35,043</u>	<u>94,110,179</u>
Total Revenues				
Expenditures				
Instruction	51,572,760	-	-	51,572,760
Support Services	19,910,762	-	25,288	19,936,050
Noninstructional Services	1,248,604	-	-	1,248,604
Capital Outlay	1,199,048	-	-	1,199,048
Debt Service (Principal & Interest)	357,040	9,888,120	-	10,245,160
Refunds of Prior Year's Receipts	17,175	-	-	17,175
	<u>74,305,389</u>	<u>9,888,120</u>	<u>25,288</u>	<u>84,218,797</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>19,765,511</u>	<u>(9,883,884)</u>	<u>9,755</u>	<u>9,891,382</u>
Other Financing Sources (Uses)				
Transfers In	-	9,888,120	2,025,288	11,913,408
Sale/Compensation for Fixed Assets	180,415	-	-	180,415
Transfers Out	(11,913,408)	-	-	(11,913,408)
	<u>(11,732,993)</u>	<u>9,888,120</u>	<u>2,025,288</u>	<u>180,415</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	8,032,518	4,236	2,035,043	10,071,797
Fund Balances - July 1, 2023	<u>16,505,305</u>	<u>81,230</u>	<u>(230,441)</u>	<u>16,356,094</u>
Fund Balances - June 30, 2024	<u>\$ 24,537,823</u>	<u>\$ 85,466</u>	<u>\$ 1,804,602</u>	<u>\$ 26,427,891</u>

See Accompanying Notes

**McKeesport 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**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 10,071,797

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

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

Depreciation Expense	\$ (3,249,234)	
Capital Outlays	1,110,175	
Donated capital assets are not recognized as revenue in fund statements	1,785,405	
Net Book Value of Assets Retired	(487,877)	
Intangible Right-to-Use Assets Amortization	(257,555)	(1,099,086)

Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position. 255,488

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 138,521

Repayment of bond, note and financing agreements principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 6,814,383

**McKeesport 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**

Exhibit 6

In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(19,853)	
Other Post-Employment Benefits - District	788,245	
Other Post-Employment Benefits - PSERS	<u>88,878</u>	857,270

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, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds	22,462	
Accretion of Interest on Capital Appreciation Bonds	<u>(1,476,858)</u>	(1,454,396)

Bond discount, insurance and deferred charges on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Discount, Premium, Insurance and Deferred Loss on Refunding		(652,889)
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Governmental funds report School District pension contributions as expenditures. However in the statement of activities the cost of pension benefits earned is reported as pension expense

District Pension Contributions to PSERS	8,376,859	
Cost of Benefits Earned	<u>(6,335,138)</u>	<u>2,041,721</u>

Change in Net Position of Governmental Activities		<u>\$ 16,972,809</u>
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See Accompanying Notes

McKeesport Area School District
Statement of Net Position
Proprietary Funds
June 30, 2024

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,552,631
Due From Other Funds	63,166
Due From Other Governments	12,012
Other Receivables	2,548
Inventories	34,879
Total Current Assets	1,665,236
Noncurrent Assets	
Machinery and Equipment, Net	1,100,480
TOTAL ASSETS	2,765,716
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to OPEB PSERS	7,178
Amounts Related to Pensions	140,412
TOTAL DEFERRED OUTFLOWS OF RESOURCES	147,590
LIABILITIES	
Current Liabilities	
Accounts Payable	73,263
Unearned Revenues	10,083
Other Current Liabilities	809
Total Current Liabilities	84,155
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	8,980
Net OPEB Liability -PSERS	49,758
Net Pension Liability	1,221,974
Total Noncurrent Liabilities	1,280,712
TOTAL LIABILITIES	1,364,867
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to OPEB PSERS	13,684
Amounts Related to Pensions	74,404
TOTAL DEFERRED INFLOWS OF RESOURCES	88,088
NET POSITION	
Invested in Capital Assets	1,100,480
Unrestricted	359,871
TOTAL NET POSITION	\$ 1,460,351

See Accompanying Notes

McKeesport Area School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2024

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 120,720
Operating Expenses	
Salaries	217,760
Employee Benefits	86,664
Purchased Property Services	27,917
Other Purchased Services	2,025,364
Supplies	325,727
Depreciation	105,949
Other Operating Expenditures	1,057
Total Operating Expenses	2,790,438
Operating Income (Loss)	(2,669,718)
Nonoperating Revenues (Expenses)	
Earnings on Investments	75,111
Contributions and Donations	7,000
State Sources	115,173
Federal Sources	2,609,888
Change in Net Pension Liability/OPEB	289,782
Total Nonoperating Revenues (Expenses)	3,096,954
Change in Net Position	427,236
Net Position - July 1, 2023	1,033,115
Net Position - June 30, 2024	\$ 1,460,351

See Accompanying Notes

**McKeesport Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 118,915
Cash Payments to Employees for Services	(306,849)
Cash Payments to Suppliers for Goods and Services	(2,273,635)
Cash Payments for Other Operating Expenses	<u>(1,057)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(2,462,626)</u>
Cash Flows from Non-Capital Financing Activities	
Local Sources	7,000
State Sources	116,550
Federal Sources	<u>2,525,852</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>2,649,402</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(767,260)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>75,111</u>
Net Increase (Decrease) in Cash and Cash Flows	(505,373)
Cash and Cash Equivalents - July 1, 2023	<u>2,058,004</u>
Cash and Cash Equivalents - June 30, 2024	<u>\$ 1,552,631</u>

McKeesport Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024

Exhibit 9

		Food Service Fund
Operating Income (Loss)	\$	(2,669,718)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation		105,949
Donated Commodities		125,543
(Increase) Decrease in Accounts Receivable		(17,980)
(Increase) Decrease in Inventories		(4,481)
Increase (Decrease) in Accounts Payable		3,336
Increase (Decrease) in Accrued Salaries and Benefits		(2,425)
Increase (Decrease) in Other Current Liabilities		<u>(2,850)</u>
 Total Adjustments		 <u>207,092</u>
 Cash Provided by (Used for) Operating Activities	 \$	 <u>(2,462,626)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2024, the School District received \$116,114 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

McKeesport Area School District
Statement of Net Position
Fiduciary Funds
June 30, 2024

Exhibit 10

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 117,958</u>
NET POSITION	
Restricted for:	
Student Groups	<u>\$ 117,958</u>

See Accompanying Notes

**McKeesport Area School District
Statement of Change in Net Position
Fiduciary Funds
Year Ended June 30, 2024**

Exhibit 11

	Custodial Fund
Additions	
Revenue from Student Activities	\$ 155,114
Interest Earnings	<u>2,580</u>
Total Additions	<u>157,694</u>
Deductions	
Student Activities Program Expenses	<u>165,613</u>
Change in Net Position	(7,919)
Net Position - July 1, 2023	<u>125,877</u>
Net Position - June 30, 2024	<u>\$ 117,958</u>

See Accompanying Notes

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

McKeesport Area School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Dravosburg, Versailles, and White Oak and the Township of South Versailles and the City of McKeesport. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of McKeesport Area School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds

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

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The School District also reports as nonmajor governmental funds the following:

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

The *capital reserve fund*, a capital projects fund type, accounts for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust funds, investment trust funds, private purpose trust funds, or custodial funds). The School District reports the following fiduciary fund type:

The *custodial fund* represents the School District's student activity funds. These funds account for student activities in the high school.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements, proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

McKeesport Area School District
Notes to Financial Statements
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All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund and the custodial fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

F. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2024.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

H. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2024.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2024 are reported as unearned revenue.

I. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

J. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

McKeesport Area School District
Notes to Financial Statements
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All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20
Land Improvements	20
Furniture	15
Vehicles	7
Equipment	5-15
Computers	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

K. Intangible Right-to-Use Assets

The School District has recorded intangible right-to-use assets as a result of implementing Governmental Accounting Standards Board (GASB) Statements No. 87 and No. 96. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease/subscription liability plus any payment made prior to the term, less any incentives, and plus any ancillary charges necessary to place the asset into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease/subscriptions.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discount are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount during the current period. The face amount of debt issued is reported as other financing sources while discount on debt issuances are reported as other financing uses.

M. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

N. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other is related to the participation in the cost sharing defined benefit pension plan. The School District reports no deferred outflows of resources in the fund financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The School District has one item reporting in the government-wide statement of net position relating to the cost sharing defined benefit pension plan. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by the Superintendent or Business Manager.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purpose of the restricted, committed and assigned fund balance as of June 30, 2024, is as follows:

1. The restricted fund balance in the debt service fund of \$85,466 is for future debt service payments.
2. The purpose of committed fund balance in nonmajor funds - capital projects fund - of \$1,804,602 is for future capital purposes.
3. The purpose of assigned fund balance in the general fund of \$17,977,823 is for future capital expenditures in the amount of \$3,000,000 and for future year's expenditures for budget shortfalls in the amount of \$14,977,823.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Note 2 - Deposits and Investments

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2024, \$2,159,242 of the School District's bank balance of \$2,744,708 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$2,159,242</u>

As of June 30, 2024, the School District had the following investments:

Investments	Fair Value
PLGIT	\$ 2,268
PSDLAF	<u>31,857,787</u>
Totals	<u>\$31,860,055</u>

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments listed above, excluding PLGIT and PSDLAF, are held by the counterparty or the counterparty's trust department but not in the School District's name.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1E. The School District has no investment policy that would further limit its investment choices. The School District's investments in PA Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF) were rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

PSDLAF and PLGIT, are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in the funds. The funds are audited annually by independent auditors. The funds are local government investment pools and are exempt from the requirement of SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds measure for financial reporting purposes its assets at amortized cost and maintain a stable net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF and PLGIT are the same as the values of PSDLAF and PLGIT shares. There are no limitations or restrictions on withdrawals.

The School District had no instruments to disclose fair value measurements within the financial value hierarchy as of June 30, 2024.

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2023/2024 was 20.96 mills (\$20.96 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2023/2024 is as follows:

Tax Levy Date	July 1, 2023
2% Discount Period	Through August 31, 2023
Face Payment Period	September 1 – October 31, 2023
10% Penalty Period	After November 1, 2023 Until Liened
Lien Filing Date	February 1, 2024

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as unavailable revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$4,768,707, net of estimated uncollectible of \$14,306,123, along with other taxes receivable of \$729,219.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2024, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ 3,608,337	\$ 11,640	\$ 3,619,977
State	2,938,739	372	2,939,111
Local	<u>211,253</u>	<u>-</u>	<u>211,253</u>
	<u>\$ 6,758,329</u>	<u>\$ 12,012</u>	<u>\$ 6,770,341</u>

Note 5 - Capital Assets

For the year ended June 30, 2024, capital asset activity was as follows:

	Balance 07/01/23	Additions	Deletions/ Transfers	Balance 06/30/24
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,204,697	\$ -	\$ (137,877)	\$ 1,066,820
Building & Building Improvements	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>	<u>-</u>
Total Capital Assets not Being Depreciated	<u>1,554,697</u>	<u>-</u>	<u>(487,877)</u>	<u>1,066,820</u>
Capital Assets Being Depreciated/Amortized				
Land Improvements	\$ 2,552,351	\$ 1,785,405	\$ -	\$ 4,337,756
Building & Building Improvements	140,091,335	1,090,175	-	141,181,510
Furniture and Equipment	4,356,511	20,000	-	4,376,511
Intangible Right-to-Use Assets	<u>1,319,821</u>	<u>-</u>	<u>(238,878)</u>	<u>1,080,943</u>
Total Capital Assets Being Depreciated/Amortized	<u>148,320,018</u>	<u>2,895,580</u>	<u>(238,878)</u>	<u>150,976,720</u>
Less Accumulated Depreciation/Amortization				
Land Improvements	1,635,606	140,834	-	1,776,440
Building & Building Improvements	45,512,289	3,021,351	-	48,533,640
Furniture and Equipment	3,823,964	87,049	-	3,911,013
Intangible Right-to-Use Assets	<u>550,827</u>	<u>257,555</u>	<u>(238,878)</u>	<u>569,504</u>
Total Accumulated Depreciation/Amortization	<u>51,522,686</u>	<u>3,506,789</u>	<u>(238,878)</u>	<u>54,790,597</u>

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

	Balance 07/01/23	Additions	Deletions/ Transfers	Balance 06/30/24
Total Capital Assets Being Depreciated/Amortized, Net	<u>96,797,332</u>	<u>(611,209)</u>	<u>-</u>	<u>96,186,123</u>
Governmental Activities Capital Assets, Net	<u>\$ 98,352,029</u>	<u>\$ (611,209)</u>	<u>\$ (487,877)</u>	<u>\$ 97,252,943</u>
Business-Type Activities				
Furniture and Equipment	\$ 1,428,485	\$ 767,260	\$ -	\$ 2,195,745
Less Accumulated Depreciation and Equipment	<u>989,316</u>	<u>105,949</u>	<u>-</u>	<u>1,095,265</u>
Business-Type Activities Capital Assets, Net	<u>\$ 439,169</u>	<u>\$ 661,311</u>	<u>\$ -</u>	<u>\$ 1,100,480</u>

Depreciation/Amortization expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 2,800,673
Instructional Student Support	155,827
Administration and Financial Support Services	413,775
Operation and Maintenance of Plant Services	18,988
Student Activities	<u>117,526</u>
Total Depreciation/Amortization Expense	<u>\$ 3,506,789</u>

Business-Type Activities

Food Service	<u>\$ 105,949</u>
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The School District had a school building that was no longer being used by the government for their intended purpose of elementary education and was available for sale. That asset was reported at the lower of carrying value or fair value and was no longer being depreciated. That building was sold in the current fiscal year and was removed from the capital assets.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Note 6 - Interfund Balances

At June 30, 2024, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 63,166
Proprietary Fund		
Food Service	63,166	-
	\$ 63,166	\$ 63,166

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

Note 7 - Interfund Transfers

Transfers To	Transfer From General Fund
Capital Projects Fund	\$ 2,025,288
Debt Service Fund	9,888,120
	\$ 11,913,408

The general fund transferred \$9,888,120 to the debt service fund for the payment of principal and interest on outstanding debt and \$2,025,288 to the capital projects fund to fund future capital expenses.

Note 8 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2024 was as follows:

	Balance 07/01/23	Additions	Accretion	Reductions	Balance 06/30/24	Due Within One Year
Governmental Activities						
Bonds Payable						
General Obligation Bonds	\$ 112,504,862	\$ -	\$ 1,476,858	\$ 6,180,000	\$ 107,801,720	\$ 6,353,978
Plus: Bond Premium	4,682,549	-	-	364,633	4,317,916	-
Less: Bond Discount	(800,537)	-	-	(62,275)	(738,262)	-
Total Bonds Payable	116,386,874	-	1,476,858	6,482,358	111,381,374	6,353,978

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

	Balance 07/01/23	Additions	Accretion	Reductions	Balance 06/30/24	Due Within One Year
Governmental Activities						
General Obligation Notes	1,510,000	-	-	565,000	945,000	585,000
Financing Agreements	143,032	-	-	69,383	73,649	73,649
Compensated Absences	1,575,784	19,853	-	-	1,595,637	111,695
Governmental Activities						
Long-Term Liabilities	<u>\$ 119,615,690</u>	<u>\$ 19,853</u>	<u>\$ 1,476,858</u>	<u>\$ 7,116,741</u>	<u>\$ 113,995,660</u>	<u>\$ 7,124,322</u>
Lease Liabilities	<u>\$ 353,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,454</u>	<u>\$ 224,265</u>	<u>\$ 133,258</u>
Subscription Liabilities	<u>\$ 430,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,034</u>	<u>\$ 304,186</u>	<u>\$ 79,290</u>
Total Long-Term Obligations as Reported in the Statement of Net Position					<u>\$ 114,524,111</u>	<u>\$ 7,336,870</u>

General Obligation Bonds

Series of 1997D, in the amount of \$24,079,427 issued October 7, 1997 at 3.85%-4.50% due semi-annually through October 1, 2023	\$ 3,030,370
Series C of 1999, in the amount of \$9,375,121 issued November 1999 at 4.18%-6.38% due serially through October 2029	9,203,230
Series of 2001, in the amount of \$9,823,419 at interest/yield of 3.0%-5.53% due semi-annually through October 1, 2031	2,839,599
Series of 2003B, original issuance amount of \$7,041,740, issued March 27, 2003, interest/yield at 1.10%-4.80% due serially through October 1, 2033	2,723,394
Series of 2005B, original issuance amount of \$7,364,505, issued July 2005, interest/yield at 3.08%-5.18% due serially through October 1, 2034	4,268,591
Series of 2005B-1, original issuance amount of \$647,826, issued July 2005, interest/yield at 5.19%-5.21% due serially through October 1, 2033	1,691,536

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General Obligation Bonds

<p>Series of 2011 Qualified School Construction Bonds (QSCB), original issuance amount of \$15,000,000 due in annual principal or mandatory sinking fund installment of \$1,000,000 through September 1, 2026, plus semi-annual interest payments of \$406,950; interest at gross rate of 5.426%. QSCB provide a federal subsidy of 5.02% of the interest paid; interest is calculated on the total loan amount through maturity</p>	3,000,000
<p>Series of 2017A, original issuance amount of \$5,200,000 issued June 2017; interest at 1.3%-3.125%, due serially through October 1, 2027</p>	3,110,000
<p>Series of 2017B, original issuance amount of \$6,270,000 issued July 2017; interest at 1.25%-3.25%, due serially through October 1, 2030</p>	5,435,000
<p>Series of 2019A, original issuance amount of \$6,215,000 issued September 2019; interest at 2.00%-2.125%, due serially through October 1, 2032</p>	6,000,000
<p>Series of 2019B original issuance amount of \$3,785,000 issued September 2019; interest at 2.00%-2.50%, due serially through October 1, 2039</p>	3,765,000
<p>Series of 2020A original issuance amount of \$4,155,000 issued July 2020; interest at 2.125%-4.00%, due serially through October 1, 2034</p>	2,580,000
<p>Series of 2020B original issuance amount of \$8,310,000 issued July 2020; interest at 2.625%-4.00%, due serially through October 1, 2040</p>	8,310,000
<p>Series of 2021A original issuance amount of \$29,285,000 issued July 2021; interest at 1.00%-4.00%, due serially through October 1, 2035</p>	22,610,000
<p>Series of 2021B original issuance amount of \$29,485,000 issued July 2021; interest at 0.306%-2.75%, due serially through April 1, 2040</p>	29,235,000
	<u>\$ 107,801,720</u>

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General Obligation Notes

Series of 2016, original issuance amount of \$3,140,000 issued September 2016; interest at 1.5%-3.125%, due serially through October 1, 2033

\$ 945,000

Financing Agreements

Agreement dated August 30, 2022 in the amount of \$220,644 due in annual payments of \$78,177 including interest at 6.1479% through September 2024.

\$ 73,649

The debt service source for the above is the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2024, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended June 30,	General Obligation Bonds			General Obligation Notes		Financing Agreements		Totals
	Principal (On Issuance Amount)	Interest	QSCB's Subsidy	Principal	Interest	Principal	Interest	
2025	\$ 5,015,817	\$ 4,674,245	\$ (753,000)	\$ 585,000	\$ 17,200	\$ 73,649	\$ 4,528	\$ 9,617,439
2026	4,031,276	5,981,303	(753,000)	55,000	9,863	-	-	9,324,442
2027	4,359,351	4,610,695	(376,500)	190,000	32,188	-	-	8,815,734
2028	4,141,856	4,127,088	-	115,000	5,547	-	-	8,389,491
2029	3,634,458	4,634,478	-	-	-	-	-	8,268,936
2030-2034	24,647,591	20,708,831	-	-	-	-	-	45,356,422
2035-2039	31,326,282	7,946,941	-	-	-	-	-	39,273,223
2040-2041	13,590,000	527,330	-	-	-	-	-	14,117,330
	90,746,631	53,210,911	(1,882,500)	945,000	64,798	73,649	4,528	143,163,017
Accretion to Date	17,055,089	(17,055,089)	-	-	-	-	-	-
	<u>\$ 107,801,720</u>	<u>\$ 36,155,822</u>	<u>\$ (1,882,500)</u>	<u>\$ 945,000</u>	<u>\$ 64,798</u>	<u>\$ 73,649</u>	<u>\$ 4,528</u>	<u>\$ 143,163,017</u>

The amount reflected above for the qualified school construction bond subsidy is the gross amount and has not been reduced for any possible reduction in the subsidy from sequestration.

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds.

McKeesport Area School District
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Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements.

Note 9 – Lease Liabilities

The School District entered into an agreement to lease copiers on December 1, 2020. The terms of the lease are for five years requiring original monthly payments of \$11,500. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of the inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate. As of June 30, 2024, the value of the lease liability recorded for the above lease was \$224,265. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$213,624 as of June 30, 2024.

	Balance 07/01/23	Additions	Transfers	Balance 06/30/24
Governmental Activities				
Intangible Right-to-use Assets:				
Copiers	\$ 672,915	\$ -	\$ -	\$ 672,915
Less Accumulated Amortization:				
Copiers	331,117	128,174	-	459,291
Net Intangible Right-to-use Assets				
Copiers	<u>\$ 341,798</u>	<u>\$ (128,174)</u>	<u>\$ -</u>	<u>\$ 213,624</u>

Future minimum lease payments under this lease are as follows:

Year Ended June 30,	Lease Payable		
	Principal	Interest	Totals
2025	\$ 133,258	\$ 4,742	\$ 138,000
2026	91,007	993	92,000
	<u>\$ 224,265</u>	<u>\$ 5,735</u>	<u>\$ 230,000</u>

Note 10 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS.

McKeesport Area School District
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For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. General Information about the Pension Plan

1. Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

2. Benefits Provided

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

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

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

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

McKeesport Area School District
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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.

3. Contributions

Member Contributions

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: 7.5% After 7/1/21: 8.0%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.3% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

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Employer Contributions

The School District’s contractually required contribution rate for 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 the pension plan from the School District were \$8,443,801 for the year ended June 30, 2024.

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

At June 30, 2024, the School District reported a liability of \$74,826,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2022 to June 30, 2023.

The School District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the School District’s proportion was 0.1682%, which was a decrease of 0.0101% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized pension expense of \$6,127,122. At June 30, 2024, the School 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
Difference between expected and actual experience	\$ 17,000	\$ 1,024,000
Net difference between projected and actual investment earnings	2,117,000	-
Change in assumptions	1,117,000	-
Changes in proportions	1,107,000	3,532,000
Difference between employer contributions and proportionate share of total contributions	140,846	-
Contributions subsequent to the measurement date	<u>8,443,801</u>	<u>-</u>
	<u>\$ 12,942,647</u>	<u>\$ 4,556,000</u>

\$8,443,801 reported as deferred outflows of resources related to pensions resulting from School 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.

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

Year Ended June 30,		
2025	\$	45,049
2026		(2,001,564)
2027		1,148,639
2028		<u>750,722</u>
	\$	<u>(57,154)</u>

1. Changes in Actuarial Assumptions

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

- Valuation Date – June 30, 2022
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00 % to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term 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	<u>-10.5%</u>	1.2%
	<u>100%</u>	

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

2. 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.

3. Sensitivity of School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

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	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 96,995	\$ 74,826	\$ 56,122

4. Pension Plan Fiduciary Net Position

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

Note 11 - Contingent Liabilities

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

Note 12 - Other Post-Employment Benefit Plan

A. Plan Description

McKeesport School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for full-time employees. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

The eligibility and the benefits are as follows:

1) Retirement Plan Eligibility

- Normal Retirement - Professionals - Age 62, age 60 with 30 years of service or 35 years of service; Support - Age 62 with 1 year of service, age 60 with 30 years of service or 35 years of service
- Early Retirement – Professionals - Age 55 with 25 years of service; Class T-G – Age 57 with 25 years of service

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2) Post-Retirement Medical Insurance Plan – Retired on or before January 31, 2019

- Retirees and their eligible spouses may elect continuation coverage, paying a portion of the premium for medical, dental, and/or vision. This percentage of the premium paid by the retiree and their spouse varies based on the incentive at the time of retirement.
- Coverage ends at the earlier of attainment of age 65, or 10 years for professionals, or 5 years for support staff, or eligibility of coverage from another source.
- The District pays the rate in effect the July after the employee retires less \$100 per month supplemental payment provided by the state for each retiree. Retiree pays the current premium (including \$100 supplemental payment) less the District payment. The District reimbursement remains the same even if spouse or dependents are no longer covered.
- If the retiree or their spouse is not yet age 65, but the retiree is not eligible for reimbursement from the District, the retiree or their spouse may purchase coverage. Upon the death of a retiree under the Early Retirement Incentive, the surviving spouse (if spouse was covered) is eligible for benefits for the remainder of the original eligibility period.

3) Retired after January 31, 2019 and on or before January 31, 2022, or after June 30, 2024

- Retirees and their eligible spouses may elect continuation coverage, paying 102% of the premium for medical, dental, and/or vision.
- Coverage ends upon attainment of age 65.

4) Early Retirement Incentive Approved January 26, 2022

- Year 1 (end of the 2021-22 School Year)
 - Option 1 – Health Insurance Coverage: The Allegheny County Schools Health Insurance Consortium Community Blue Flex EPO Program and dental coverage for a maximum of ten (10) years or until the employee reaches age 65 or becomes eligible for coverage from any other source, whichever shall occur first. The District will pay the premiums at the rate in effect on June 30, 2022; and the retiree will be responsible for paying the School District an amount equal to the PSERS reimbursement for retirees paying for health insurance and, in addition, any increases in premiums in subsequent years.
 - Option 2 – Non-Elective Employer Contribution to the Special Pay Plan: In July 2022, following the employee’s official retirement, a contribution of \$30,000 will be made into the 403(b) Special Pay Plan on behalf of the retiree.
- Year 2 (end of the 2022-23 School Year)
 - Option 1 – Health Insurance Coverage: The Allegheny County Schools Health Insurance Consortium Community Blue Flex EPO Program and dental coverage for a maximum of ten (10) years or until the employee

McKeesport Area School District
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- reaches age 65 or becomes eligible for coverage from any other source, whichever shall occur first. The District will pay ninety (90) percent of the premiums at the rate in effect on June 30, 2023; and the retiree will be responsible for paying the School District ten (10) percent of the premium at the rate in effect on June 30, 2023 and, in addition, an amount equal to the PSERS reimbursement for retirees paying for health insurance and, in addition, any increases in premiums in subsequent years.
- Option 2 – Non-Elective Employer Contribution to the Special Pay Plan: In July 2023, following the employee’s official retirement, a contribution of \$20,000 will be made into the 403(b) Special Pay Plan on behalf of the retiree.
- Year 3 (end of the 2023-24 School Year)
 - Option 1 – Health Insurance Coverage: The Allegheny County Schools Health Insurance Consortium Community Blue Flex EPO Program and dental coverage for a maximum of ten (10) years or until the employee reaches age 65 or becomes eligible for coverage from any other source, whichever shall occur first. The District will pay eighty (80) percent of the premiums at the rate in effect on June 30, 2024; and the retiree will be responsible for paying the School District twenty (20) percent of the premium at the rate in effect on June 30, 2024 and, in addition, an amount equal to the PSERS reimbursement for retirees paying for health insurance and, in addition, any increases in premiums in subsequent years.
 - Option 2 – Non-Elective Employer Contribution to the Special Pay Plan: In July 2024, following the employee’s official retirement, a contribution of \$10,000 will be made into the 403(b) Special Pay Plan on behalf of the retiree.

Employees Covered by Benefit Terms

At July 1, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	67
Active employees	<u>326</u>
	<u>393</u>

C. Total OPEB Liability

The School District’s total OPEB liability of \$8,134,013 was measured as of June 30, 2024 using the actuarial valuation as of July 1, 2024.

D. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	3.00%
Salary Increases	3.00%
Discount Rate	4.21%
Healthcare Cost Trend Rates	7.00% for 2023/2024, graded to 5.60% over 3 years, following the Getzen model thereafter

The discount rate was based on the S & P Municipal Bond 500 20-year High Quality bond yields at June 30, 2024.

Mortality rates were based on the PubG.H-2010 with improvement using scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuation were selected using input from the School District based upon actual experience.

E. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2023	\$ 7,001,594
Changes for the year:	
Service Cost	170,299
Interest	253,860
Changes of assumptions or other inputs	117,802
Difference between expected and actual experience	1,555,504
Benefit Payments	<u>(965,046)</u>
Net Changes	<u>1,132,419</u>
Balance at June 30, 2024	<u>\$ 8,134,013</u>

F. Changes of Assumptions and Other Inputs

- The discount rate was changed to 4.21% from 4.09% and medical trend rates were updated to an initial rate of 7%.

G. Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.21%) or one percentage point higher (5.21%) than the current discount rate:

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1.00%	Current	1.00%
Decrease	Discount Rate	Increase
3.21%	4.21%	5.21%

Total OPEB Liability	\$	8,628,644	\$	8,134,013	\$	7,672,869
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H. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

1.00%	Healthcare Cost	1.00%
Decrease	Trend Rates	Increase

Total OPEB Liability	\$	7,642,620	\$	8,134,013	\$	8,701,928
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I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024 the School District recognized OPEB Expense of \$179,801. At June 30, 2024 the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 103,077	\$ 797,758
Difference between expected and actual experience	1,361,066	1,216,830
	\$ 1,464,143	\$ 2,014,588

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2025	\$ (247,358)
2026	(494,717)
2027	(5,847)
2028	(5,847)
2029	203,324
	\$ (550,445)

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Note 13 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

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

To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

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

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

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

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

3. Pension Plan Description

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

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

4. Benefits Provided

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

Employer Contributions

The School District's contractually required contribution rate for 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 School District were \$163,313 for the year ended June 30, 2024.

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

At June 30, 2024, the School District reported a liability of \$3,047,000 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 the System's total OPEB liability as of June 30, 2022 to June 30, 2023. The School 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 School District's proportion was 0.1684%, which was a decrease of 0.0098% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized OPEB expense of \$59,611. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,000	\$ 30,000
Changes in assumptions	263,000	577,000
Net difference between projected and actual investment earnings	7,000	-

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportions	67,000	231,000
Difference between employer contributions and proportionate share of total contributions	3,273	-
Contributions subsequent to the measurement date	<u>163,313</u>	<u>-</u>
	<u>\$ 523,586</u>	<u>\$ 838,000</u>

\$163,313 reported as deferred outflows of resources related to OPEB resulting from School 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:

Year Ended June 30,	
2025	\$ (103,900)
2026	(106,180)
2027	(109,517)
2028	(119,130)
2029	<u>(39,000)</u>
	<u>\$ (477,727)</u>

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.13%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% of 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%.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	<u>100.0%</u>	1.20%

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

2. 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.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2023, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Trend Rate	Increase
System net OPEB Liability	\$ 3,046	\$ 3,047	\$ 3,047

4. Sensitivity of School 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:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	3.13%	4.13%	5.13%
School District's proportionate share of the net OPEB liability	\$ 3,445	\$ 3,047	\$ 2,714

5. OPEB Plan Fiduciary Net Position

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

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

Note 14 - Risk Management

The School District is a member of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$7,806,983 and \$6,898,712 for the years ended June 30, 2024 and 2023, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2024, the net position of the Consortium was \$64,607,800 of which \$1,195,520 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 15 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2024, were \$8,208,862.

This includes \$6,915,723 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$1,293,139 to the federal government for social security and Medicare taxes for the year ended June 30, 2024. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 16 – Subscription-Based Information Technology Arrangement Liabilities

The School District entered into subscription-based information technology arrangements for computer backup and security services and software. The arrangements were revalued under the provisions of GASB Statement No. 96 "Subscription-Based Information Technology Arrangements" and therefore, have been recorded at present value of the future minimum payments as of the date of inception. For purposes of discounting future payments, the School District determined an interest rate of 3.75% to be an appropriate discount rate.

As of June 30, 2024, the value of the subscription liability recorded for the above agreements was \$304,186. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$297,815 as of June 30, 2024.

McKeesport Area School District
Notes to Financial Statements
June 30, 2024

	Balance 07/01/23	Additions	Deletions/ Transfers	Balance 06/30/24
Governmental Activities				
Intangible Right-to-use Assets:				
SBITA	\$ 646,906	\$ -	\$ 238,878	\$ 408,028
Less Accumulated Amortization:				
SBITA	219,710	129,381	238,878	110,213
Net Intangible Right-to-use Assets, SBITA	<u>\$ 427,196</u>	<u>\$ (129,381)</u>	<u>\$ -</u>	<u>\$ 297,815</u>

Future minimum subscription payments under the agreements are as follows:

Year Ended June 30,	Subscription Payable		Totals
	Principal	Interest	
2025	\$ 79,290	\$ 10,053	\$ 89,343
2026	82,315	7,028	89,343
2027	85,455	3,888	89,343
2028	57,126	896	58,022
	<u>\$ 304,186</u>	<u>\$ 21,865</u>	<u>\$ 326,051</u>

Note 17 – Construction Commitment

As of June 30, 2024, the School District had construction commitments of approximately \$748,000 for the paving projects. It is anticipated that these projects will be completed in the 2024/25 fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 14,678,172	\$ 14,678,172	\$ 12,969,856	\$ (1,708,316)
Public Utility Realty Taxes	13,998	13,998	16,838	2,840
Payments in Lieu of Current Taxes	6,000	6,000	-	(6,000)
Business Privilege Taxes	261,000	261,000	214,483	(46,517)
Mercantile Taxes	172,000	172,000	240,704	68,704
Local Services Taxes	53,140	53,140	46,747	(6,393)
Earned Income Taxes	2,263,678	2,263,678	2,612,583	348,905
Real Estate Transfer Taxes	162,555	162,555	349,583	187,028
Delinquencies on Taxes	815,243	815,243	1,882,334	1,067,091
Earnings on Investments	5,000	5,000	1,013,070	1,008,070
Other Local Revenues				
Revenue from Student Activities	45,000	45,000	16,680	(28,320)
Other Revenues from IU	-	-	748	748
Federal Revenues from IU	1,000,000	1,000,000	997,787	(2,213)
Contributions & Donations from Private Sources	-	-	1,175,000	1,175,000
Rentals	-	-	62,219	62,219
Tuition from other LEAs	-	-	220,690	220,690
Refund of Prior Year's Expenditures	-	-	92,726	92,726
Miscellaneous Revenue	-	-	42,817	42,817
Total Revenues from Local Sources	<u>19,475,786</u>	<u>19,475,786</u>	<u>21,954,865</u>	<u>2,479,079</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	33,986,420	33,986,420	36,312,600	2,326,180
Tuition	449,070	449,070	233,903	(215,167)
Subsidies for Spec. Educ. Programs				
Vocational Education	445,251	445,251	385,959	(59,292)
Pre-K Counts	720,000	720,000	605,357	(114,643)
Special Education of Excep. Pupils	4,550,393	4,550,393	4,571,001	20,608
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	1,509,342	1,509,342	1,135,060	(374,282)
Rentals & Sinking Fund Payments	1,216,774	1,216,774	1,222,958	6,184
Ready to Learn Block Grant	888,223	888,223	1,488,223	600,000
Health Services	64,500	64,500	60,587	(3,913)
State Property Tax Reduction	3,074,049	3,074,049	3,074,049	-
Safe Schools Grant	227,000	227,000	83,351	(143,649)

**McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other State Grants	-	-	150,000	150,000
Social Security Payments	1,374,480	1,374,480	1,284,619	(89,861)
State Retirement Revenue	<u>6,648,246</u>	<u>6,648,246</u>	<u>6,880,912</u>	<u>232,666</u>
Total Revenues from State Sources	<u>55,153,748</u>	<u>55,153,748</u>	<u>57,488,579</u>	<u>2,334,831</u>
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Impact Aid	195,000	195,000	31,655	(163,345)
Title I	1,882,174	1,882,174	2,168,238	286,064
Title II	160,284	160,284	183,645	23,361
Title IV	162,029	162,029	145,892	(16,137)
IDEA, Part B	965,670	965,670	-	(965,670)
21st Century Grant	-	-	362,800	362,800
Vocational Education & Training	118,117	118,117	102,985	(15,132)
ARRA Build America Bonds	-	-	710,079	710,079
Elementary and Secondary School Emergency Relief Fund (ESSER II)	-	-	394,938	394,938
ARP ESSER (ESSER III)-Elementary and Secondary School Emergency Relief	11,665,690	11,665,690	9,515,181	(2,150,509)
ARP ESSER Learning Loss	-	-	500,662	500,662
ARP ESSER Summer Programs	-	-	126,632	126,632
ARP ESSER Afterschool Programs	-	-	123,172	123,172
ARP ESSER Homeless Children and Youth Funds (ARP-HCY)	-	-	19,528	19,528
ARP ESSER Emergency Relief for Other Educational Entities	-	-	191,645	191,645
Other CARES Act and CRRSA Act Funding	-	-	40,262	40,262
Medical Assistance - Access	300,000	300,000	-	(300,000)
Medical Assistance - Admin.	<u>-</u>	<u>-</u>	<u>10,142</u>	<u>10,142</u>
Total Revenues from Federal Sources	<u>15,448,964</u>	<u>15,448,964</u>	<u>14,627,456</u>	<u>(821,508)</u>
Total Revenues	<u>90,078,498</u>	<u>90,078,498</u>	<u>94,070,900</u>	<u>3,992,402</u>
Other Financing Sources				
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>180,415</u>	<u>180,415</u>
Total Revenues and Other Financing Sources	<u>90,078,498</u>	<u>90,078,498</u>	<u>94,251,315</u>	<u>4,172,817</u>

McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	12,806,740	12,806,740	12,597,073	209,667
Employee Benefits	8,728,625	8,915,625	8,915,037	588
Purchased Prof. and Tech. Services	5,750	5,900	5,880	20
Purchased Property Services	5,135	5,135	3,399	1,736
Other Purchased Services	11,342,350	5,842,350	5,817,312	25,038
Supplies	765,515	995,515	992,106	3,409
Property	1,046,098	1,896,098	1,888,832	7,266
Other Objects	10,000	10,000	8,627	1,373
	<u>34,710,213</u>	<u>30,477,363</u>	<u>30,228,266</u>	<u>249,097</u>
Total Regular Programs				
Special Programs				
Personal Services				
Salaries	5,948,478	3,698,478	3,680,559	17,919
Employee Benefits	3,819,433	2,569,433	2,534,519	34,914
Purchased Prof. and Tech. Services	1,249,252	1,799,252	1,714,274	84,978
Other Purchased Services	891,800	6,891,800	6,845,102	46,698
Supplies	12,500	12,500	9,643	2,857
Property	500	1,000	959	41
Other Objects	1,500	2,300	2,215	85
	<u>11,923,463</u>	<u>14,974,763</u>	<u>14,787,271</u>	<u>187,492</u>
Total Special Programs				
Vocational Education Programs				
Personal Services				
Salaries	535,764	529,589	502,656	26,933
Employee Benefits	433,970	433,970	345,786	88,184
Purchased Property Services	2,553	2,553	2,516	37
Other Purchased Services	2,900	2,900	1,156	1,744
Supplies	119,588	125,088	125,046	42
Property	9,633	10,308	7,007	3,301
Other Objects	651	651	402	249
	<u>1,105,059</u>	<u>1,105,059</u>	<u>984,569</u>	<u>120,490</u>
Total Vocational Education Programs				

McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Instructional Programs				
Personal Services				
Salaries	2,279,428	2,243,428	2,171,485	71,943
Employee Benefits	1,448,371	1,484,371	1,484,046	325
Purchased Prof. and Tech. Services	163,620	163,620	68,153	95,467
Other Purchased Services	112,228	112,228	48,635	63,593
Supplies	284,084	1,034,084	1,025,127	8,957
Property	5,000	5,000	-	5,000
	<u>4,292,731</u>	<u>5,042,731</u>	<u>4,797,446</u>	<u>245,285</u>
Total Other Instructional Programs				
Pre-Kindergarten				
Personal Services				
Salaries	435,935	399,935	399,717	218
Employee Benefits	295,379	274,379	273,452	927
Purchased Prof. and Tech. Services	18,000	-	-	-
Other Purchased Services	-	600	522	78
Supplies	20,000	102,000	101,517	483
Property	10,000	2,400	-	2,400
	<u>779,314</u>	<u>779,314</u>	<u>775,208</u>	<u>4,106</u>
Total Pre-Kindergarten				
Total Instruction	<u>52,810,780</u>	<u>52,379,230</u>	<u>51,572,760</u>	<u>806,470</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,522,502	1,566,502	1,566,068	434
Employee Benefits	1,025,572	1,071,572	1,071,056	516
Purchased Prof. and Tech. Services	214,943	131,943	131,478	465
Purchased Property Services	1,208	1,268	1,262	6
Other Purchased Services	4,752	4,752	68	4,684
Supplies	30,412	31,162	31,162	-
Property	1,050	1,050	721	329
	<u>2,800,439</u>	<u>2,808,249</u>	<u>2,801,815</u>	<u>6,434</u>
Total Pupil Personnel				

McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Instructional Staff				
Personal Services				
Salaries	243,288	246,288	246,071	217
Employee Benefits	128,779	189,779	189,707	72
Purchased Prof. and Tech. Services	13,266	90,266	89,320	946
Purchased Property Services	7,476	7,476	1,853	5,623
Other Purchased Services	-	1,200	1,145	55
Supplies	7,596	61,596	61,315	281
Property	4,500	4,500	808	3,692
	<u>404,905</u>	<u>601,105</u>	<u>590,219</u>	<u>10,886</u>
Administration				
Personal Services				
Salaries	1,591,690	1,541,690	1,538,369	3,321
Employee Benefits	1,165,450	1,082,950	1,041,875	41,075
Purchased Prof. and Tech. Services	386,972	988,972	988,473	499
Purchased Property Services	825,295	315,295	308,635	6,660
Other Purchased Services	39,800	39,800	26,613	13,187
Supplies	330,500	371,000	370,602	398
Property	80,350	80,350	10,418	69,932
Other Objects	63,239	63,239	62,729	510
	<u>4,483,296</u>	<u>4,483,296</u>	<u>4,347,714</u>	<u>135,582</u>
Pupil Health				
Personal Services				
Salaries	248,106	296,106	295,782	324
Employee Benefits	187,351	193,851	193,842	9
Purchased Prof. and Tech. Services	8,000	43,000	42,498	502
Purchased Property Services	4,510	4,510	308	4,202
Supplies	7,293	7,293	6,221	1,072
Property	2,432	2,432	186	2,246
	<u>457,692</u>	<u>547,192</u>	<u>538,837</u>	<u>8,355</u>

**McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Business				
Personal Services				
Salaries	315,015	315,015	293,462	21,553
Employee Benefits	233,724	229,224	196,607	32,617
Purchased Prof. and Tech. Services	50,000	50,000	44,052	5,948
Purchased Property Services	6,318	9,318	9,267	51
Other Purchased Services	18,544	18,544	12,487	6,057
Supplies	3,892	3,892	3,312	580
Property	3,150	4,650	4,624	26
Other Objects	5,000	5,000	1,960	3,040
	<u>635,643</u>	<u>635,643</u>	<u>565,771</u>	<u>69,872</u>
Total Business				
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	1,825,775	1,922,275	1,921,784	491
Employee Benefits	1,246,225	1,326,725	1,326,664	61
Purchased Prof. and Tech. Services	733,692	503,692	495,241	8,451
Purchased Property Services	3,260,635	1,569,435	1,461,035	108,400
Other Purchased Services	368,062	421,062	420,841	221
Supplies	1,317,041	517,041	496,368	20,673
Property	106,000	106,000	86,595	19,405
Other Objects	27,263	88,463	88,327	136
	<u>8,884,693</u>	<u>6,454,693</u>	<u>6,296,855</u>	<u>157,838</u>
Total Oper. and Maint. of Plant Svcs.				
Student Transportation Services				
Personal Services				
Salaries	118,255	2,305	258	2,047
Employee Benefits	52,874	52,874	54	52,820
Other Purchased Services	3,430,000	3,797,000	3,796,817	183
Supplies	251,050	-	-	-
	<u>3,852,179</u>	<u>3,852,179</u>	<u>3,797,129</u>	<u>55,050</u>
Total Student Transportation Services				

**McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Central				
Personal Services				
Salaries	529,665	529,665	529,124	541
Employee Benefits	375,539	373,489	364,666	8,823
Purchased Prof. and Tech. Services	37,250	37,250	33,057	4,193
Other Purchased Services	18,400	18,400	14,105	4,295
Supplies	2,300	3,950	3,929	21
Property	1,000	1,000	-	1,000
Other Objects	1,000	1,400	1,370	30
	<u>965,154</u>	<u>965,154</u>	<u>946,251</u>	<u>18,903</u>
Total Central				
Other				
Other Purchased Services	24,865	24,865	23,371	1,494
Other Objects	2,940	2,940	2,800	140
	<u>27,805</u>	<u>27,805</u>	<u>26,171</u>	<u>1,634</u>
Total Other				
Total Support Services	<u>22,511,806</u>	<u>20,375,316</u>	<u>19,910,762</u>	<u>464,554</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	507,095	514,345	514,294	51
Employee Benefits	142,718	283,718	283,541	177
Purchased Prof. and Tech. Services	144,944	144,944	138,066	6,878
Purchased Property Services	75,407	75,407	72,509	2,898
Other Purchased Services	328,564	165,314	50,305	115,009
Supplies	70,000	70,000	59,533	10,467
Property	28,894	43,894	43,884	10
Other Objects	34,665	34,665	31,290	3,375
	<u>1,332,287</u>	<u>1,332,287</u>	<u>1,193,422</u>	<u>138,865</u>
Total Student Activities				

**McKeesport Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Services				
Personal Services				
Salaries	100,619	100,619	18,439	82,180
Employee Benefits	68,621	64,621	12,769	51,852
Supplies	-	4,000	3,974	26
Other Objects	20,000	20,000	20,000	-
Total Community Services	<u>189,240</u>	<u>189,240</u>	<u>55,182</u>	<u>134,058</u>
Total Noninstructional Services	<u>1,521,527</u>	<u>1,521,527</u>	<u>1,248,604</u>	<u>272,923</u>
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	-	1,200,000	1,199,048	952
Debt Service				
Interest	-	32,200	32,169	31
Refunds of Prior Year's Receipts	86,520	86,520	17,175	69,345
Redemption of Principal	-	325,000	324,871	129
Total Debt Service	<u>86,520</u>	<u>443,720</u>	<u>374,215</u>	<u>69,505</u>
Total Expenditures	<u>76,930,633</u>	<u>75,919,793</u>	<u>74,305,389</u>	<u>1,614,404</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	-	300,840	2,025,288	(1,724,448)
Debt Service Fund	9,178,646	9,888,646	9,888,120	526
Total Other Financing Uses	<u>9,178,646</u>	<u>10,189,486</u>	<u>11,913,408</u>	<u>(1,723,922)</u>
Total Expenditures and Other Financing Uses	<u>86,109,279</u>	<u>86,109,279</u>	<u>86,218,797</u>	<u>(109,518)</u>
Net Change in Fund Balance	3,969,219	3,969,219	8,032,518	4,063,299
Fund Balance - July 1, 2023	<u>7,110,091</u>	<u>7,110,091</u>	<u>16,505,305</u>	<u>9,395,214</u>
Fund Balance - June 30, 2024	<u>\$ 11,079,310</u>	<u>\$ 11,079,310</u>	<u>\$ 24,537,823</u>	<u>\$ 13,458,513</u>

McKeesport Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2024

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

**McKeesport Area School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Eight Years**

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability								
Service cost	\$ 170,299	\$ 163,607	\$ 262,819	\$ 255,164	\$ 278,904	\$ 289,020	\$ 280,602	\$ -
Interest	253,860	275,113	174,144	181,700	269,639	276,750	294,835	-
Change of benefit terms & assumptions	117,802	-	1,737,544	-	(677,670)	-	-	-
Difference between expected and actual experience	1,555,504	-	(1,119,633)	-	(1,254,419)	-	-	-
Benefit payments	<u>(965,046)</u>	<u>(775,940)</u>	<u>(728,582)</u>	<u>(810,178)</u>	<u>(794,292)</u>	<u>(1,190,718)</u>	<u>(1,161,183)</u>	<u>-</u>
Net Change in Total OPEB Liability	1,132,419	(337,220)	326,292	(373,314)	(2,177,838)	(624,948)	(585,746)	-
Total OPEB Liability - Beginning	<u>7,001,594</u>	<u>7,338,814</u>	<u>7,012,522</u>	<u>7,385,836</u>	<u>9,563,674</u>	<u>10,188,622</u>	<u>10,774,368</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 8,134,013</u>	<u>\$ 7,001,594</u>	<u>\$ 7,338,814</u>	<u>\$ 7,012,522</u>	<u>\$ 7,385,836</u>	<u>\$ 9,563,674</u>	<u>\$ 10,188,622</u>	<u>\$ 10,774,368</u>
Covered-Employee Payroll	\$27,533,224	\$27,533,224	\$26,731,285	\$25,952,704	\$25,196,800	\$23,908,585	\$24,222,246	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	29.54%	25.43%	27.45%	27.02%	29.31%	40.00%	42.06%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2024	4.21%
2023	4.09%

Medical trend rates were updated to an initial rate of 7.00% grading to 5.60% over three years.

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

McKeesport Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Ten Years

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 8,508,556	\$ 9,127,264	\$ 8,945,387	\$ 8,255,874	\$ 8,183,174	\$ 7,755,504	\$ 7,629,179	\$ 6,960,978	\$ 5,635,235	\$ 5,070,226
Contributions in Relation to the Contractually Required Contribution	<u>8,508,556</u>	<u>9,127,264</u>	<u>8,945,387</u>	<u>8,255,874</u>	<u>8,183,174</u>	<u>7,755,504</u>	<u>7,629,179</u>	<u>6,960,978</u>	<u>5,635,235</u>	<u>5,070,226</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$25,453,674	\$25,879,181	\$26,201,257	\$24,597,442	\$24,623,849	\$24,300,240	\$24,207,978	\$24,421,565	\$23,010,316	\$25,563,913
Contributions as a Percentage of Covered Payroll	33.43%	35.27%	34.14%	33.56%	33.23%	31.92%	31.52%	28.50%	24.49%	19.83%

**McKeesport Area School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Ten Years
(Dollar Amount in Thousands)**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
School District's Proportion of the Net Pension Liability (Asset)	0.1682%	0.1783%	0.1735%	0.1750%	0.1762%	0.1798%	0.1834%	0.1777%	0.1983%	0.1934%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 74,826	\$ 79,270	\$ 71,233	\$ 86,168	\$ 82,431	\$ 86,313	\$ 90,578	\$ 88,062	\$ 85,894	\$ 76,549
School District's Covered Payroll	\$ 25,799	\$ 26,201	\$ 24,597	\$ 24,624	\$ 24,300	\$ 24,208	\$ 24,422	\$ 23,010	\$ 25,564	\$ 24,685
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	290.03%	302.55%	289.60%	349.94%	339.22%	356.55%	370.89%	382.71%	336.00%	310.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

**McKeesport Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS OPEB Plan
Last Seven Years**

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 163,313	\$ 197,354	\$ 206,059	\$ 203,687	\$ 201,293	\$ 199,557	\$ 201,293
Contributions in Relation to the Contractually Required Contribution	<u>163,313</u>	<u>197,354</u>	<u>206,059</u>	<u>203,687</u>	<u>201,293</u>	<u>199,557</u>	<u>201,293</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$25,453,674	\$25,799,337	\$26,291,647	\$24,597,442	\$24,623,849	\$24,300,240	\$24,207,978
Contributions as a Percentage of Covered Payroll	0.64%	0.76%	0.78%	0.83%	0.82%	0.82%	0.83%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2023 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2024.

**McKeesport Area School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net OPEB Liability
PSERS OPEB Plan
Last Seven Years
(Dollar Amount in Thousands)**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.1684%	0.1782%	0.1735%	0.1754%	0.1762%	0.1798%	0.1834%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,047	\$ 3,280	\$ 4,112	\$ 3,790	\$ 3,747	\$ 3,749	\$ 3,737
School District's Covered Payroll	\$ 25,799	\$ 26,201	\$ 24,597	\$ 24,624	\$ 24,300	\$ 24,208	\$ 24,422
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	11.81%	12.52%	16.72%	15.39%	15.42%	15.49%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

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Members of the Board
McKeesport Area School District
McKeesport, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for McKeesport Area School District for the period ended June 30, 2024 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
March 26, 2025

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EXHIBIT A

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

Members of the Board
McKeesport Area School District
McKeesport, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McKeesport Area School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise McKeesport Area School District's basic financial statements, and have issued our report thereon dated March 26, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 to be a material weakness.

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.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
March 26, 2025

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EXHIBIT B

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

Members of the Board
McKeesport Area School District
McKeesport, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
March 26, 2025

McKeesport Area School District
Schedule of Findings and Questioned Costs
June 30, 2024

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? ✓ yes no
- Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes ✓ no
- Significant deficiency(ies) identified? yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes ✓ no

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
84.027; 84.173	Special Education Cluster
84.287	21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes ✓ no

McKeesport Area School District
Schedule of Findings and Questioned Costs
June 30, 2024

EXHIBIT C

Section II – Financial Statement Findings

Material Weaknesses

2024-001 Monthly Reconciliations

Condition

There were numerous journal entries required to properly state cash accounts, other assets and liabilities at year end. Unadjusted amounts, cash, receivables, liabilities, revenues and expenditures were materially misstated and went without detection. In addition, the health, life, unemployment compensation and worker's compensation benefits are not allocated to the appropriate function but are all being posted to suspense accounts.

Criteria

Internal controls should be in place to ensure that transactions are posted properly in all funds and that management reviews the financial information for all funds monthly and at year end. Management should also ensure monthly reconciliations are performed on a timely basis for all the cash accounts and the other asset and liability accounts are reviewed and analyzed to ensure all transactions are properly reported and recorded. The failure to properly report and post the benefits to the correct function misstates the expenditures.

Cause

Lack of specific procedures in place to be performed on a monthly basis and where procedures were in place they were not being performed. In addition, there was no oversight of the staff or any training of the staff to perform the required monthly closing and review procedures. There was also a lack of management review.

Effect

Internal monthly financial reports prepared by the School District are not accurate.

Recommendation

Management should review the financial statements both monthly and at year end to make sure transactions are posted accurately. Management should perform monthly bank reconciliation on a timely basis. Any differences noted need to be investigated and adjusted accordingly. We recommend the benefits be posted through the payroll distribution software.

Response

McKeesport Area School District agrees with the finding and the recommended procedures and is attempting to implement improvements over financial reporting.

Section III – Federal Award Findings and Questioned Costs

No matters noted

McKeesport Area School District
Schedule of Findings and Questioned Costs
June 30, 2024

EXHIBIT C

Section IV – Status of Prior Year’s Findings

Financial Statements Material Weaknesses

2023-001 Reconciliation

Condition

Reconciliations of various asset and liability accounts not being performed resulting in inaccurate monthly financial statements.

Recommendation

Management should have controls in place to ensure amounts are properly stated on a monthly basis.

Current Status

Still applies. See 2024-001

2023-002 Activities Allowed or Unallowed

Special Education Cluster 84.027

Passed through Allegheny Intermediate Unit

Compliance Finding

Condition

The School District’s support for eligible salaries by employee which was submitted on the reimbursement request form included numerous employees claimed for reimbursement on other federal programs. In addition, the support for nonpayroll expenditures that we were provided by the business office included the same invoices on two different reimbursement request forms.

Criteria

Only allowable costs under the program should be reported and claimed as federal expenditures.

Cause

The School District did not have a proper understanding of what costs were eligible and did not have the proper documentation or support for eligible costs.

Effect

The lack of the proper support for reporting salaries that were allowable costs, and the duplicate reporting of expenses results in questioned costs as a determination of what expenditures were eligible.

Context

There were six employees’ wages reported on the claims for reimbursement that were reported as eligible expenses on other federal programs, these wages totaled \$107,703 and are considered questioned costs.

In addition, there were four invoices claimed for reimbursement that were reported on a previous request, these duplicate invoices totaled \$47,220 and are considered questioned costs.

McKeesport Area School District
Schedule of Findings and Questioned Costs
June 30, 2024

EXHIBIT C

Recommendation

Management should ensure only eligible expenses are reported as federal expenditures and ensure the proper documentation is maintained. The business office personnel and the federal program coordinator should ensure the reports being filed are accurate.

Current Status

Resolved

2023-002 Activities Allowed or Unallowed

Special Education Cluster 84.027

Passed through Allegheny Intermediate Unit

Material Weakness in Internal Control

Condition

The School District was not tracking the IDEA federal expenditures within the general ledger system, or if they were the Business Manager was unaware of the process and was not using the correct expenditures to claim as eligible expenditures.

Criteria

Federal IDEA expenditures should be posted to the federal funding source accounts in the general ledger as they are incurred, and significant adjusting entries reclassing expenditures should be at a minimum. This will allow for the proper reporting of the eligible amounts to claim for reimbursement.

Cause

The School District was not knowledgeable on what expenditures were eligible and allowable for IDEA funding. In addition, the School District was not knowledgeable in determining how to report allowable costs or how to maintain proper support and documentation for those expenditures. Also, there was a lack of communication between the business office and the Special Education coordinator.

Effect

The failure to understand what expenditures are allowable and the failure to properly maintain the correct documentation of the expenditures allows for expenditures to potentially be improperly reported.

Recommendation

Management should ensure only allowable and eligible expenses are reported as federal IDEA expenditures and ensure they have the proper documentation to support those expenditures.

Current Status

Resolved

McKeesport Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/23	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/24
U.S. Department of Education Impact Aid	D	84.041	N/A	07/01/22-06/30/23	N/A	\$ 31,655	\$ -	\$ 31,655	\$ 31,655	\$ -
Passed through the Pennsylvania Department of Education										
Title I	I	84.010	013-220242	07/01/21-09/30/22	2,202,173	146,380	146,380	-	-	-
Title I	I	84.010	013-230242	08/31/22-09/30/23	2,185,034	624,041	247,126	376,915	376,915	-
Title I	I	84.010	013-240242	07/11/23-09/30/24	2,322,300	1,245,449	-	1,536,022	1,536,022	290,573
Title I Improving Basic Programs	I	84.010	042-220242	08/31/22-09/30/23	319,649	114,160	79,163	34,997	34,997	-
Title I Improving Basic Programs	I	84.010	042-230242	06/15/23-09/30/24	262,574	180,520	-	220,304	220,304	39,784
						<u>2,310,550</u>	<u>472,669</u>	<u>2,168,238</u>	<u>2,168,238</u>	<u>330,357</u>
Sec. Voc. Instruc. Program	I	84.048	380-240089	08/16/23-06/30/24	101,627	78,502	-	101,627	101,627	23,125
Sec. Voc. Instruc. Program	I	84.048	380-220069	07/14/21-06/30/22	100,936	-	(1,358)	1,358	1,358	-
						<u>78,502</u>	<u>(1,358)</u>	<u>102,985</u>	<u>102,985</u>	<u>23,125</u>
Title II Improving Teacher Quality	I	84.367	020-240242	07/11/23-09/30/24	208,787	152,947	-	172,506	172,506	19,559
Title II Improving Teacher Quality	I	84.367	020-230242	08/31/22-09/30/23	225,531	33,226	22,087	11,139	11,139	-
						<u>186,173</u>	<u>22,087</u>	<u>183,645</u>	<u>183,645</u>	<u>19,559</u>
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-230242	08/31/22-09/30/23	176,752	32,431	22,733	9,698	9,698	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-240242	07/11/23-09/30/24	173,957	115,971	-	136,194	136,194	20,223
						<u>148,402</u>	<u>22,733</u>	<u>145,892</u>	<u>145,892</u>	<u>20,223</u>
21st Century Community Learning Centers	I	84.287	FC#4300083519	07/01/22-06/30/23	400,000	57,306	57,306	-	-	-
21st Century Community Learning Centers	I	84.287	FC#4300083519	07/01/23-06/30/24	400,000	234,329	-	319,195	319,195	84,866
21st Century Community Learning Centers	I	84.287	FC#4100097337	03/01/24-02/28/25	229,320	-	-	-	-	-
21st Century Community Learning Centers	I	84.287	FC#4100097338	03/01/24-02/28/25	535,080	-	-	-	-	-
21st Century Community Learning Centers	I	84.287	FC#4100078104	10/01/22-09/30/23	345,000	91,459	47,854	43,605	43,605	-
						<u>383,094</u>	<u>105,160</u>	<u>362,800</u>	<u>362,800</u>	<u>84,866</u>
COVID-19 Elementary & Secondary School Emergency Relief Fund (ESSERS II)	I	84.425D	200-210242	03/13/20-09/30/23	8,405,853	771,131	376,193	394,938	394,938	-

**McKeesport Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/23	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/24
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS)	I	84.425U	223-210242	03/13/20-09/30/24	17,002,609	6,491,905	(353,149)	9,515,181	9,515,181	2,670,127
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS 7%)	I	84.425U	225-210242	03/13/20-09/30/24	1,321,485	696,782	163,035	750,466	750,466	216,719
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS 2.5%)	I	84.425U	224-210242	03/13/20-09/30/24	79,411	-	(9,069)	9,069	9,069	-
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS 2.5%)	I	84.425U	224-211164	03/13/20-09/30/24	230,907	25,190	(13,194)	182,576	182,576	144,192
COVID-19 ARP ESSER Homeless Children and Youth (ARP-HCY)	I	84.425W	181-212250	07/01/21-09/30/24	60,624	<u>32,644</u>	<u>13,116</u>	<u>19,528</u>	<u>19,528</u>	<u>-</u>
						<u>8,017,652</u>	<u>176,932</u>	<u>10,871,758</u>	<u>10,871,758</u>	<u>3,031,038</u>
Special Education Cluster										
Passed through the Allegheny Intermediate Unit										
IDEA B	I	84.027	062-240003	07/01/23-09/30/24	992,207	898,162	-	992,207	992,207	94,045
IDEA B	I	84.027	062-230003	07/01/22-09/30/23	965,671	908,194	908,194	-	-	-
IDEA B Section 619	I	84.173	131-220003	07/01/22-06/30/23	6,808	6,808	6,808	-	-	-
IDEA B Section 619	I	84.173	131-230003	07/01/23-06/30/24	5,580	<u>5,580</u>	<u>-</u>	<u>5,580</u>	<u>5,580</u>	<u>-</u>
Total Special Education Cluster						<u>1,818,744</u>	<u>915,002</u>	<u>997,787</u>	<u>997,787</u>	<u>94,045</u>
Total U.S. Department of Education						<u>12,974,772</u>	<u>1,713,225</u>	<u>14,864,760</u>	<u>14,864,760</u>	<u>3,603,213</u>
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Education										
COVID-19 Public Health Workforce	I	93.354	160-230035	07/01/22-06/30/24	73,609	<u>41,405</u>	<u>1,143</u>	<u>40,262</u>	<u>40,262</u>	<u>-</u>
Passed through the PA Dept. of Public Welfare Title 19 Medical Assistance Reimb. for Admin	I	93.778	N/A	N/A	N/A	<u>24,576</u>	<u>19,558</u>	<u>10,142</u>	<u>10,142</u>	<u>5,124</u>
Total U.S. Depart. of Health and Human Services						<u>65,981</u>	<u>20,701</u>	<u>50,404</u>	<u>50,404</u>	<u>5,124</u>

McKeesport Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/23	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/24
Department of the Treasury										
Passed through the Pennsylvania Commission on Crime & Delinquency										
Covid-19 State & Local Fiscal Recovery Fund	I	21.027	2023-CM-01-42678	01/01/24-12/31/25	70,000	-	-	-	-	-
Covid-19 State & Local Fiscal Recovery Fund	I	21.027	2023-CM-01-42675	01/01/24-06/30/26	146,407	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/23-06/30/24	N/A	1,612,710	35,844	1,584,527	1,584,527	7,661
National School Breakfast Program	I	10.553	N/A	07/01/23-06/30/24	N/A	656,719	17,303	643,395	643,395	3,979
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/23-06/30/24	N/A	98,140	-	98,140	98,140	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/23-06/30/24	N/A	116,114	(19,512)	125,543	125,543	(10,083)
Total Child Nutrition Cluster						<u>2,483,683</u>	<u>33,635</u>	<u>2,451,605</u>	<u>2,451,605</u>	<u>1,557</u>
Passed through the Pennsylvania Dept. of Education										
P-EBT Local Admin Funds	I	10.649	N/A	07/01/23-06/30/24	N/A	5,763	-	5,763	5,763	-
Child Care	I	10.558	N/A	07/01/23-06/30/24	N/A	152,520	-	152,520	152,520	-
Total U.S. Department of Agriculture						<u>2,641,966</u>	<u>33,635</u>	<u>2,609,888</u>	<u>2,609,888</u>	<u>1,557</u>
Total Federal Financial Assistance						<u>\$ 15,682,719</u>	<u>\$ 1,767,561</u>	<u>\$ 17,525,052</u>	<u>\$ 17,525,052</u>	<u>\$ 3,609,894</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

McKeesport Area School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of McKeesport Area School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of McKeesport Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of McKeesport Area School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) McKeesport Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly. The Source Code (D) indicates funds received directly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 15,682,719
Add: PA Pre-K Counts	605,357
Add: National School Lunch/Breakfast - State Revenues	73,219
Less: Commodities Received	(116,114)
Less: Passage Through IU's	(1,818,744)
Less: Title XIX	(24,576)
Less: 21st Century	(383,094)
Less: Impact Aid	<u>(31,655)</u>
Per Subsidy Confirmation	<u>\$ 13,987,112</u>
School District	\$ 13,842,015
Tech Center	<u>145,097</u>
	<u><u>\$ 13,987,112</u></u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**McKeesport Area School District
List of Report Distribution
June 30, 2024**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – General Services Administration