



KARNS CITY AREA SCHOOL DISTRICT

KARNS CITY, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
SCHOOL YEAR ENDED JUNE 30, 2025



Cypher & Cypher

Accountants | Auditors | Advisors

KARNS CITY AREA SCHOOL DISTRICT

TABLE OF CONTENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION 46

SCHEDULE OF EMPLOYER PREMIUM ASSISTANCE CONTRIBUTIONS – OPEB 47

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS 48-49

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 53-54

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 55-56

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 57

Independent Auditor's Report

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

Ladies and Gentlemen:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Karns City Area School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Karns City Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Karns City Area School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

pages i-vii and 44-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Karns City Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 November 26, 2025, on our consideration of Karns City Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Karns City Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Karns City Area School District's internal control over financial reporting and compliance.

CYPHER & CYPHER



CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
November 26, 2025

Management's Discussion & Analysis

Our discussion and analysis of Karns City Area School District’s financial performance provides an overview of the school district financial activities for the fiscal year ended June 30, 2025. The MD&A should be read in conjunction with the financial statements and footnotes.

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

THE SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

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

- General fund balance has been increased from \$9,257,603 to \$10,950,126. The overall increase is the result of revenues ending higher than budget amounts as well as expenditures ending lower than budgeted figures.
- Real Estate Tax millage increases will be needed to cover future inflationary costs, escalating retirement costs, as well as any revenue uncertainties. The District has the fourth lowest tax millage rate in Butler County and one of the lowest rates in Armstrong and Clarion Counties.

Revenues: The School District’s general fund received 66.7 percent of its funding from state and federal sources and 33.3 percent from local sources. Basic instructional state subsidy continues to be the primary source of revenue for the general fund. Local Real Estate Tax is the second most significant revenue source funding general fund operations. In addition, outside placements of students as well as unfunded mandates such as cyber charter school put an increased burden on the local taxpayers. Because the financial health of the local economy is heavily dependent on several major employers, it may or may not perform as well as many communities.

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

Expenditures: Total general fund spending for 2024-2025 was \$24.95 million for the year. Instructional programs expended \$13.31 million, or 53.35 percent of all general fund spending.

Actual general fund expenditures were 97.4 percent of budgeted expenditures for the year excluding fund transfers. Actual spending by function category was as follows:

	<u>2024-2025</u> <u>Expenses</u>	<u>Percentage</u>
Instructional	\$ 13,311,802	53.35
Students Services	1,516,382	6.08
Instructional Staff Services	1,274,764	5.11
Administrative Services	1,505,734	6.03
Pupil Health Services	262,860	1.05
Business Services	533,847	2.14
Operation and Maintenance of Plant	2,045,286	8.20
Student Transportation	2,370,215	9.50
Capital Outlay	165,387	0.66
Other Support Services	12,216	.05
Student Activities	738,028	2.96
Debt Service	<u>1,215,199</u>	<u>4.87</u>
	\$ 24,951,720	100.00

Explanation of Category Content:

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

Students – guidance, psychological and other related services

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

Business Services – fiscal administration and risk management

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

Student Transportation – conveyance of students

Other Support Services – Midwestern Intermediate Unit IV administrative operation funding

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

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

Financial Analysis of the Governmental Funds

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

	General Fund	Capital Projects Fund	Proprietary Activities
June 30, 2024	\$ 9,257,603	\$ 11,557,529	\$ 2,904,654
Increase (Decrease)	1,692,523	(8,178,472)	275,122
June 30, 2025	<u>\$ 10,950,126</u>	<u>\$ 3,379,057</u>	<u>\$ 3,179,776</u>

Overview of Financial Statements

The basic financial statements comprise three components:

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

Government-Wide Financial Statements

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

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

The following table reflects the condensed Statement of Net Position:

**Statement of Net Position
as of June 30, 2025**

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Current and Other Assets	\$ 25,226,062	\$ 18,286,888	\$ 2,569,163	\$ 2,535,817	\$ 27,795,225	\$ 20,822,705
Non Current Assets	29,241,093	38,557,468	442,318	695,206	29,683,411	39,252,674
Deferred Outflows	6,098,714	4,883,851			6,098,714	4,883,851
Total Assets & Deferred Outflows	60,565,869	61,728,207	3,011,481	3,231,023	63,577,350	64,959,230
Current and Other Liabilities	5,120,532	4,722,520	106,827	51,247	5,227,359	4,773,767
Non Current Liabilities	59,079,213	58,427,955			59,079,213	58,427,955
Deferred Inflows	4,179,690	3,506,025			4,179,690	3,506,025
Total Liabilities & Deferred Inflows	68,379,435	66,656,500	106,827	51,247	68,486,262	66,707,747
Net Investment in Capital Assets	12,488,943	16,139,828	442,318	695,208	12,931,261	16,835,036
Restricted	6,658,613	3,379,057	1,866,379	1,937,564	8,524,992	5,316,621
Unrestricted	(26,961,122)	(24,447,178)	595,957	547,004	(26,365,165)	(23,900,174)
Total Net Position	\$ (7,813,566)	\$ (4,928,293)	\$ 2,904,654	\$ 3,179,776	\$ (4,908,912)	\$ (1,748,517)

Assets, Liabilities and Net Position

Total assets and deferred outflows for the period ending June 30, 2025 were \$64,959,230 with cash and investments representing 29.2% of that total.

The value of capital assets included in non-current assets total \$77,509,325, with accumulated depreciation of \$39,240,479 resulting in net capital assets of \$38,268,846.

Primary liabilities of the District include a net pension liability of \$28,680,000, Other Post Employment Benefit (OPEB) liabilities totaling \$8,000,733, and accrued salaries and benefits of \$2,446,014. These liabilities accompanied with total assets have resulted in net position of a deficit \$(1,748,517).

The total net position of the District is comprised of three components. The net investment in capital assets totals \$16,835,036 restricted net position totals \$5,316,621, and unrestricted net position totals \$(23,900,174).

Statement of Activities

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

Statement of Activities as of June 30, 2025

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Program Revenues:						
Charges for Services	\$ 325,144	\$ 373,921	\$ 206,758	\$ 135,191	\$ 531,902	\$ 509,112
Operating Grants and Contributions	9,427,117	7,694,874	975,615	1,020,887	10,402,732	8,715,761
General Revenues:						
Property Taxes	6,200,685	6,020,080			6,200,685	6,020,080
Other Taxes	1,365,266	1,470,979			1,365,266	1,470,979
Grants Subsidies and Contributions	10,613,473	10,746,782			10,613,473	10,746,782
Other	1,088,176	694,635	398,149	331,997	1,486,325	1,026,632
	<u>29,019,861</u>	<u>27,001,271</u>	<u>1,580,522</u>	<u>1,488,075</u>	<u>30,600,383</u>	<u>28,489,346</u>
Expenditures:						
Depreciation	494,560	494,560			494,560	494,560
Instruction	12,515,164	12,487,644			12,515,164	12,487,644
Instructional Student Support	2,720,554	2,616,182			2,720,554	2,616,182
Administrative and Financial Support	1,893,035	2,030,202			1,893,035	2,030,202
Operation and Maintenance of Plant	2,224,642	2,170,609			2,224,642	2,170,609
Pupil Transportation	2,206,182	2,370,215			2,206,182	2,370,215
Student Activities	657,286	701,933			657,286	701,933
Debt Service	995,910	983,841			995,910	983,841
Food Service			1,147,069	1,212,953	1,147,069	1,212,953
Other	326,956	260,812			326,956	260,812
	<u>24,034,289</u>	<u>24,115,998</u>	<u>1,147,069</u>	<u>1,212,953</u>	<u>25,181,358</u>	<u>25,328,951</u>
Change in Net Position	<u>\$ 4,985,572</u>	<u>\$ 2,885,273</u>	<u>\$ 433,453</u>	<u>\$ 275,122</u>	<u>\$ 5,419,025</u>	<u>\$ 3,160,395</u>

FUTURE ECONOMIC FACTORS

Capital Improvement Plan

The District has maintained its facilities with funding through the Capital Reserve Fund as well as the General Fund. The District's ongoing expectation of deferred capital outlay for the newly completed facility would remain, as it would be fully renovated by the conclusion of the 2024-2025 school year. The consolidation of elementary schools will permit the District to seek opportunities to raze Sugarcreek Elementary, which could reduce operational costs associated with this site. With that expectation, the District can prioritize capital projects at the Karns City High School location including replacing inadequate roof sections and updating the athletic complex, until a more comprehensive project can be completed. The District has made an effort, and will continue to focus on mechanical maintenance, as well as maintaining up to date technology in the learning space.

Debt Administration

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

<u>Authority Obligations</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Retirement Obligations</u>	<u>Pension Liability</u>	<u>Total</u>
\$ 495,901	\$ 20,511,116	\$ 1,078,806	\$ 8,194,538	\$ 28,680,000	\$ 58,960,361

The District issued the Series of 2021 Bonds during the 20/21 school year for the purpose of funding the new Karns City Area Elementary School additions and renovations project. The Authority obligations with the Vo-Tech were refinanced in the 15/16 year and then again in the 20/21 school year. The most recent refinance that was settled in May 2021 resulted in a reduced payment for both the 20/21 year and the subsequent 21/22 year. Bond payments for the Vo-Tech returned to the increased amount in the 23/24 school year. The retirement obligations include the amounts for GASB Statement #75, which was implemented in the 17/18 year. The District initiated a bond issuance in May of 2021 to fund the estimated \$21.5 million project at Karns City Area Elementary. The bond was issued at this time to take advantage of the then current favorable rate environment. Repayment will be over a 30-year term, with the first two years' payments being interest only, and fully amortizing thereafter. Funds will be used for expenses related to the Karns City Area Elementary renovation and consolidation, with the option to reimburse the District for costs incurred prior to issuance, if applicable. During the 24/25 year, the School District entered into a note payable agreement with NexTier Bank for the purpose of drawing funds for the replacement of the High School roof and the replacement of the artificial field surface and surrounding track and light fixtures. This Note has a maximum draw of \$5 million, and will be interest only during the draw period, amortizing over ten years thereafter.

Pennsylvania School Employees' Retirement System Crisis

It is anticipated that the fund will require increased contributions from the school systems within the State. While small decreases were noted in the required contribution rates for the 23/24 and 24/25 years, the rate began increasing in 25/26 and long-term projections from the retirement system have indicated that the rate to school systems will increase to an ultimate peak of 39.94% in 2034-2035. The most recent projections indicate that this will result in an estimated net increase of more than \$250,000 per year in retirement contributions from the District.

Technology

Karns City Area School District had invested several million dollars to acquire technology in the form of equipment, software, and infrastructure. BluChip Solutions, Inc. is the current contractor who provides the District with technology staffing and support services. These technology services are contracted through June 30, 2027. The District has maintained its goal of having at least one Chromebook for each student enrolled in the District. In addition, the District continues to outfit the classrooms with updated interactive boards to improve the educational environment. The District's attempts to provide budgeted funds for replacement and upgrade of this technology in

an effort to remain reasonably current have been very successful. Future technology expenditures must be closely scrutinized due to funding constraints.

Revenue Uncertainty

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

Staffing

The District continues to evaluate the needs of staffing at all points during the year. Staffing shortages, particularly substitutes and hourly support staff, has been of concern, as normal school operations have begun to occur. Adjustments to wages for those governed by collective bargaining agreements, along with substitute rates, have been made to be more competitive and marketable within the immediate area. When resignations or retirements occur, the District evaluates the short term and long-term objectives at that time to determine the need for additional staffing. Prudent decision-making will continue to be necessary regarding staffing as the District looks to update its remaining facilities.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 13,388,175	\$ 1,622,564	\$ 15,010,739
Investments	3,286,730	700,844	3,987,574
Taxes Receivable (Net)	376,803		376,803
State Revenue Receivable	948,941		948,941
Federal Revenue Receivable	266,146		266,146
Internal Balances	(192,243)	192,243	
Other Receivables	60,003		60,003
Inventories		20,166	20,166
Prepaid Expenses/Expenditures	152,333		152,333
Long Term Receivables	27,582		27,582
Investment in Joint Venture	652,013		652,013
Right to Use Intangible Asset	304,235		304,235
Capital Assets (net)	37,573,638	695,208	38,268,846
TOTAL ASSETS	56,844,356	3,231,025	60,075,381
DEFERRED OUTFLOWS OF RESOURCES			
Pension and OPEB Related	4,883,851		4,883,851
Total Deferred Outflows of Resources	4,883,851		4,883,851
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 61,728,207	\$ 3,231,025	\$ 64,959,232
LIABILITIES			
Accounts Payable	\$ 1,206,300	\$ 3,630	\$ 1,209,930
Accrued Salaries and Benefits	2,446,014	25,930	2,471,944
Interest Payable	219,360		219,360
Unearned Revenue	5,391	21,689	27,080
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable - Net of Related Premiums/Discounts	435,000		435,000
Authority Lease Obligations	28,124		28,124
Lease Liability	78,908		78,908
OPEB Obligation	303,423		303,423
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	20,076,116		20,076,116
Authority Lease Obligations	467,777		467,777
General Obligation Notes Payable	1,078,806		1,078,806
Lease Liability	234,141		234,141
Net Pension Liability	28,680,000		28,680,000
OPEB - Health Insurance Premium Share Liability	1,210,200		1,210,200
Compensated Absences	193,805		193,805
OPEB Obligation	6,487,110		6,487,110
Total Liabilities	63,150,475	51,249	63,201,724
DEFERRED INFLOWS OF RESOURCES			
Long Term Receivables	27,582		27,582
Pension and OPEB Related	3,478,443		3,478,443
Total Deferred Inflows of Resources	3,506,025		3,506,025
NET POSITION			
Net Investment in Capital Assets	16,139,828	695,208	16,835,036
Restricted for:			
Capital Projects	3,379,057		3,379,057
Retirement Obligations		1,236,720	1,236,720
Risk Management		700,844	700,844
Unrestricted	(24,447,178)	547,004	(23,900,174)
TOTAL NET POSITION	(4,928,293)	3,179,776	(1,748,517)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 61,728,207	\$ 3,231,025	\$ 64,959,232

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
Depreciation - Unallocated	\$ 494,560	\$	\$	\$ (494,560)	\$	\$ (494,560)
Instruction	12,487,644	303,467	5,246,910	(6,937,267)		(6,937,267)
Instructional Student Support	2,616,182		263,438	(2,352,744)		(2,352,744)
Administrative and Financial Support	2,030,202		275,276	(1,754,926)		(1,754,926)
Operation and Maintenance of Plant	2,170,609	7,112	395,053	(1,768,444)		(1,768,444)
Pupil Transportation	2,370,215	41,077	1,400,817	(928,321)		(928,321)
Student Activities	701,933	22,265	95,986	(583,682)		(583,682)
Interest on Long-Term Debt	983,841		17,394	(966,447)		(966,447)
Total Governmental Activities	23,855,186	373,921	7,694,874	(15,786,391)		(15,786,391)
Business Type Activities						
Food Service	1,212,953	135,191	1,020,887		(56,875)	(56,875)
Risk Management						
Retirement Obligations						
Total Business Type Activities	1,212,953	135,191	1,020,887		(56,875)	(56,875)
Total Government	\$ 25,068,139	\$ 509,112	\$ 8,715,761	\$ (15,786,391)	\$ (56,875)	\$ (15,843,266)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				6,020,080		6,020,080
Other Taxes				1,470,979		1,470,979
Grants, Subsidies and Contributions, Unrestricted				10,746,782		10,746,782
Investment Earnings				670,695	71,185	741,880
Miscellaneous Income (Expense)				23,940		23,940
Transfers Between Governmental and Business-Type Activities				(260,812)	260,812	
Total General Revenues, Special and Extraordinary Items and Transfers				18,671,664	331,997	19,003,661
Change in Net Position				2,885,273	275,122	3,160,395
Net Position - Beginning				(7,813,566)	2,904,654	(4,908,912)
Net Position - Ending				\$ (4,928,293)	\$ 3,179,776	\$ (1,748,517)

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

KARNS CITY AREA SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	Governmental Funds		
	General Fund	Capital Projects Fund	Totals
ASSETS			
Cash and Cash Equivalents	\$ 9,504,361	\$ 3,883,814	\$ 13,388,175
Investments (At Fair Value)	3,286,730		3,286,730
Taxes Receivable (Net)	76,803		76,803
Due From Other Funds		500,000	500,000
State Revenue Receivable	948,941		948,941
Federal Revenue Receivable	266,146		266,146
Other Receivables (Net)	60,003		60,003
Prepaid Expenditures	152,333		152,333
TOTAL ASSETS	\$ 14,295,317	\$ 4,383,814	\$ 18,679,131
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ 692,243	\$ 1,004,757	\$ 692,243
Accounts Payable	201,543		1,206,300
Accrued Salaries and Benefits	2,446,014		2,446,014
Unearned Revenue	5,391		5,391
Total Liabilities	3,345,191	1,004,757	4,349,948
Fund Balances:			
Nonspendable:			
Prepaid Expenditures	152,333		152,333
Committed to:			
Capital Projects		3,379,057	3,379,057
Unassigned:	10,797,793		10,797,793
Total Fund Balances	10,950,126	3,379,057	14,329,183
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,295,317	\$ 4,383,814	\$ 18,679,131

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

KARNS CITY AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

Total Fund Balances - Governmental Funds	\$	14,329,183
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$76,188,914 and the accumulated depreciation is \$38,615,276.		37,573,638
Net Investments in Joint Ventures are not financial resources and are not reported as assets in the governmental funds.		652,013
Right to Use Intangible Lease assets are not reported in the governmental funds.		304,235
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and are not reported as liabilities in the funds.		(21,589,922)
Long-term liabilities, including retirement and compensated absences, are not due and payable in the current period and are not reported as liabilities in the funds.		(8,194,538)
Long-term liabilities, including authority lease obligations, are not due and payable in the current period and are not reported as liabilities in the funds.		(495,901)
Long-term liabilities, including leases payable, are not due and payable in the current period and are not reported as liabilities in the funds.		(313,049)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.		27,582
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.		(219,360)
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(28,680,000)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions and OPEB.		4,883,851
Deferred inflows of resources related to pensions and OPEB.		(3,478,443)
Deferred inflows of resources related to long term receivable for debt payments.		(27,582)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.		300,000
Total Net Position - Governmental Activities	\$	<u>(4,928,293)</u>

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Governmental Funds		Totals
	General	Capital Projects Fund	
Revenues			
Local Sources			
Taxes	\$ 7,516,059	\$	\$ 7,516,059
Other Local Revenues	1,357,944	245,674	1,603,618
State Sources	17,635,643		17,635,643
Federal Sources	114,375		114,375
Total Revenues	<u>26,624,021</u>	<u>245,674</u>	<u>26,869,695</u>
Expenditures			
Instruction	13,311,802		13,311,802
Support Services	9,521,304	83,366	9,604,670
Operation Of Non-Instructional Services	738,028		738,028
Capital Outlay	165,387	9,658,774	9,824,161
Debt Service			
Principal and Interest	1,215,199		1,215,199
Total Expenditures	<u>24,951,720</u>	<u>9,742,140</u>	<u>34,693,860</u>
Excess (Deficiency) of Revenues Over Expenditures	1,672,301	(9,496,466)	(7,824,165)
Other Financing Sources & (Uses)			
Note Proceeds		1,078,806	1,078,806
Proceeds from Leases	368,441		368,441
Insurance Recoveries	151,781		151,781
Interfund Transfers In		500,000	500,000
Interfund Transfers (Out)	(500,000)	(260,812)	(760,812)
Total Other Financing Sources & (Uses)	<u>20,222</u>	<u>1,317,994</u>	<u>1,338,216</u>
Net Change in Fund Balances	1,692,523	(8,178,472)	(6,485,949)
Fund Balances - July 1, 2024	<u>9,257,603</u>	<u>11,557,529</u>	<u>20,815,132</u>
Fund Balances - June 30, 2025	<u>\$ 10,950,126</u>	<u>\$ 3,379,057</u>	<u>\$ 14,329,183</u>

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

KARNS CITY AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$	(6,485,949)
Depreciation Expense		(494,560)
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		9,616,014
Some delinquent property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.		(25,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable.		6,862
Amortization of lease assets and interest expense related to lease liabilities.		(85,251)
Bond Premium and Discount Amortization		59,856
Repayment of lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		108,771
Bonds and notes issued during the current year are reported in the governmental funds as revenues. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.		(1,078,806)
In the statement of activities, compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		12,458
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.		420,000
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions		3,293,878
Cost of benefits earned net of employee contributions		(2,463,000)
		830,878
Change in Net Position - Governmental Activities	\$	<u>2,885,273</u>

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Taxes	\$ 7,450,497	\$ 7,450,497	\$ 7,516,059	\$ 65,562
Other Local Revenues	1,123,413	1,123,413	1,357,944	234,531
State Sources	17,501,665	17,501,665	17,635,643	133,978
Federal Sources	5,000	5,000	114,375	109,375
Total Revenues	<u>26,080,575</u>	<u>26,080,575</u>	<u>26,624,021</u>	<u>543,446</u>
Expenditures				
Instruction				
Regular Programs	11,138,805	11,138,813	10,575,617	(563,196)
Special Programs	1,826,211	1,826,210	2,082,628	256,418
Vocational Education	570,000	570,000	613,104	43,104
Other Instructional Programs	60,000	60,000	31,266	(28,734)
Nonpublic Education			9,187	9,187
Total Instruction	<u>13,595,016</u>	<u>13,595,023</u>	<u>13,311,802</u>	<u>(283,221)</u>
Support Services				
Students	1,676,386	1,676,386	1,516,382	(160,004)
Instructional Staff	1,092,596	1,092,596	1,274,764	182,168
Administration	1,589,869	1,589,869	1,505,734	(84,135)
Pupil Health	264,450	264,450	262,860	(1,590)
Business	567,926	567,926	533,847	(34,079)
Operation & Maintenance of Plant Services	2,410,893	2,410,893	2,045,286	(365,607)
Student Transportation Services	2,384,137	2,384,137	2,370,215	(13,922)
Other Support Services	15,000	15,000	12,216	(2,784)
Total Support Services	<u>10,001,257</u>	<u>10,001,257</u>	<u>9,521,304</u>	<u>(479,953)</u>
Operation of Non-Instructional Services				
Student Activities	848,515	848,514	738,028	(110,486)
Total Non-Instructional Services	<u>848,515</u>	<u>848,514</u>	<u>738,028</u>	<u>(110,486)</u>
Capital Outlay	71,600	71,600	165,387	93,787
Debt Service				
Principal and Interest	1,111,848	1,111,848	1,215,199	103,351
Total Expenditures	<u>25,628,236</u>	<u>25,628,242</u>	<u>24,951,720</u>	<u>(676,522)</u>
Excess (Deficiency) of Revenues Over Expenditures	452,339	452,333	1,672,301	1,219,968
Other Financing Sources & (Uses)				
Proceeds from Leases			368,441	368,441
Insurance Recoveries			151,781	151,781
Interfund Transfers In				
Interfund Transfers (Out)			(500,000)	(500,000)
Budgetary Reserve	(452,339)	(452,333)		452,333
Total Other Financing Sources & (Uses)	<u>(452,339)</u>	<u>(452,333)</u>	<u>20,222</u>	<u>472,555</u>
Net Change in Fund Balances		0	1,692,523	1,692,523
Fund Balance - July 1, 2024	<u>9,257,603</u>	<u>9,257,603</u>	<u>9,257,603</u>	
Fund Balance - June 30, 2025	<u>\$ 9,257,603</u>	<u>\$ 9,257,603</u>	<u>\$ 10,950,126</u>	<u>\$ 1,692,523</u>

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2025

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 385,844	\$ -	\$ 1,236,720
Investments		700,844	
Due from Other Funds	192,243		
Inventories	20,166		
Total Current Assets	<u>598,253</u>	<u>700,844</u>	<u>1,236,720</u>
Noncurrent Assets:			
Food Service Equipment (Net of Depreciation)	695,208		
Total Noncurrent Assets	<u>695,208</u>		
TOTAL ASSETS	<u>\$ 1,293,461</u>	<u>\$ 700,844</u>	<u>\$ 1,236,720</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 3,630	\$ -	\$ -
Accrued Salaries and Benefits	25,930		
Unearned Revenue	21,689		
Total Current Liabilities	<u>51,249</u>		
NET POSITION			
Net Investment in Capital Assets	695,208		
Restricted for:			
Risk Management		700,844	
Retirement Obligations			1,236,720
Unrestricted	547,004		
Total Net Position	<u>1,242,212</u>	<u>700,844</u>	<u>1,236,720</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,293,461</u>	<u>\$ 700,844</u>	<u>\$ 1,236,720</u>

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
Operating Revenues			
Food Service Revenue	\$ 135,191	\$	\$
Total Operating Revenue	135,191		
Operating Expenses			
Personal Services - Salaries	295,915		
Personal Services - Benefits	144,675		
Purchased Professional and Technical Services	656		
Purchased Property Services	9,565		
Other Purchased Services	83,398		
Supplies	595,692		
Other Objects	33,531		
Depreciation Expense	49,521		
Total Operating Expenses	1,212,953		
Operating Income (Loss)	(1,077,762)		
Nonoperating Revenues (Expenses)			
Operating Subsidies			
State Subsidies	195,430		
Federal Subsidies			
Lunch and Breakfast Subsidies	758,994		
Value of Donated Commodities Received	66,463		
Earnings on Investments		30,027	41,158
Total Nonoperating Revenue and Expense	1,020,887	30,027	41,158
Income (Loss) Before Transfers	(56,875)	30,027	41,158
Contributions and Transfers			
Transfers from Other Funds	260,812		
Change in Net Position	203,937	30,027	41,158
Net Position - July 1, 2024	1,038,275	670,817	1,195,562
Net Position - June 30, 2025	\$ 1,242,212	\$ 700,844	\$ 1,236,720

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Food Service Fund	Risk Management Fund	Retirement Obligations Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 135,211	\$	\$
Cash Payments to Employees for Services	(439,405)		
Cash Paid to Suppliers for Goods and Services	(810,099)		
Net Cash Provided (Used) by Operating Activities	(1,114,293)		
Cash Flows from Noncapital Financing Activities:			
Grants and Subsidies Received for Non-Operating Activities			
State Subsidies	195,430		
Federal Subsidies	758,994		
Transfer from Other Funds	260,812		
Net Cash Provided (Used) by Noncapital Financing Activities	1,215,236		
Cash Flows from Capital and Related Financing Activities:			
Purchase of Equipment	(302,411)		
Net Cash Provided (Used) by Capital and Related Financing Activities	(302,411)		
Cash Flows from Investing Activities:			
Earnings on Investments		30,027	41,158
Withdrawals (Purchases of) from Investment Pools		(30,027)	
Net Cash Provided (Used) by Investing Activities		-	41,158
Net Increase (Decrease) in Cash and Cash Equivalents	(201,468)	-	41,158
Cash and Cash Equivalents, Beginning of Year	587,312	-	1,195,562
Cash and Cash Equivalents, End of Year	\$ 385,844	\$ -	\$ 1,236,720
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities			
Operating Income (Loss)	\$ (1,077,762)	\$	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:			
Depreciation	49,521		
Donated Commodities Used	66,463		
Changes in Assets and Liabilities:			
Accounts Receivable	20		
Inventories	2,146		
Other Assets	2,129		
Due to/Due From Other Funds	(101,232)		
Accounts Payable	(52,374)		
Accrued Payables	(944)		
Unearned Revenues	(2,260)		
Total Adjustments	(36,531)		
Net Cash Provided (Used) by Operating Activities	\$ (1,114,293)	\$	\$

Noncash Noncapital Financing Activities:

During the year, the District received \$66,383 of food commodities from the U.S. Department of Agriculture.

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2025

	Private Purpose Trust Funds	Custodial Funds Student Activities
ASSETS		
Cash and Cash Equivalents	\$ 79,478	\$ 116,304
Investments	173,583	
TOTAL ASSETS	\$ 253,061	\$ 116,304
LIABILITIES		
Accounts Payable	\$ -	\$ 270
Total Liabilities		270
NET POSITION		
Restricted		116,034
Unrestricted	253,061	
Total Net Position	253,061	116,034
TOTAL LIABILITIES AND NET POSITION	\$ 253,061	\$ 116,304

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

KARNS CITY AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Private Purpose Trust Funds	Custodial Funds Student Activities
Additions		
Gifts and contributions	\$ 19,801	\$ -
Student Activities		147,109
Interest Income	10,075	
Total Additions	29,876	147,109
Deductions		
Student Activities		145,719
Scholarship Awards	1,750	
Total Deductions	1,750	145,719
Changes in Net Position	28,126	1,390
Net Position - July 1, 2024	224,935	114,644
Net Position - June 30, 2025	\$ 253,061	\$ 116,034

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

Karns City Area School District

Notes to the Basic Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

1. Government-wide Financial Statements

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

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

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

2. Fund Financial Statements

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

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

C. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

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

Enterprise Fund

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

Food Service

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

Internal Service Funds

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

Risk Management

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

Retirement Obligations Fund

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

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

3. Fiduciary Funds

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

Private Purpose Trust Funds

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

Custodial Funds

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

D. Measurement Focus, Basis of Accounting

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

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

2. Governmental Fund Financial Statements

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

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

3. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

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

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

4. Unearned Revenues

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

Property taxes for which there is an enforceable legal claim as of June 30, 2025 which were levied to finance fiscal year 2026 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

5. Expenses/Expenditures

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

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

E. Budgetary Process

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

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

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

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

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

F. Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2025, the School District has no encumbrances.

G. Cash and Investments

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

Deposits

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

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	<u>\$ 250,000</u>	<u>\$ 15,146,050</u>	<u>\$ 15,396,050</u>	<u>\$ 15,206,521</u>

Investments

The District's investments at June 30, 2025 consist of:

	Cost	Fair Value
Certificates of Deposit	<u>\$ 4,161,157</u>	<u>\$ 4,161,157</u>
Total	<u>\$ 4,161,157</u>	<u>\$ 4,161,157</u>

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

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

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

Investment Risks

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

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

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

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

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

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

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

H. Taxes Receivable

Taxes receivable consist of delinquent real estate taxes due at June 30, 2025, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

I. Interfund Receivables/Payables

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

J. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2025.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2025. The inventory consisted of food and non food supplies (valued at cost) and government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2025 are reported as unearned revenue.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with a long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

L. Long-Term Liabilities

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

M. Estimates

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

N. Fund Balances

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

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2025 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Business Manager of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an

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

Fund balances in the School District's major funds are \$10,950,126 in the General Fund, consisting of nonspendable prepaid amounts of \$152,333 and unassigned amounts of \$10,797,793. In addition \$3,379,057 is a committed fund balance in the Capital Projects Fund.

The Risk Management and Retirement Obligations Fund net position of \$700,844 and \$1,236,720 are for the School District's risk management activities and retirement obligations, respectively. In addition, \$1,242,212 is included in net position of the School District's Food Service Fund.

O. Extraordinary and Special Items

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

P. Subsequent Events

The School District evaluated subsequent events for recognition and disclosure through November 26, 2025, the date the financial statements were available to be issued.

Note 2 – Real Estate and Unearned Revenue

Property taxes attach as an enforceable lien on property as of July 1st of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2025 was based on assessed values on January 1, 2024 of \$101.2 million. The School District tax rates for the year ended June 30, 2025 varied by county as determined by the State Tax Equalization Board and were 102.89 mills for Butler County, 39.09 mills for Clarion County and 38.53 mills for Armstrong County as levied by the School Board.

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

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$76,803.

Note 3 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 38,526	\$	\$	\$ 38,526
Construction in Progress	17,236,202		17,236,202	0
Depreciable Assets				
Land Improvements	3,906,869			3,906,869
Buildings	40,860,078	26,852,216		67,712,294
Equipment	4,531,225			4,531,225
Totals at historical cost	<u>66,572,900</u>	<u>26,852,216</u>	<u>17,236,202</u>	<u>76,188,914</u>
Less accumulated depreciation for:				
Land Improvements	(3,906,869)			(3,906,869)
Buildings	(29,717,600)	(459,582)		(30,177,182)
Equipment	<u>(4,496,247)</u>	<u>(34,978)</u>		<u>(4,531,225)</u>
Total accumulated depreciation	<u>(38,120,716)</u>	<u>(494,560)</u>		<u>(38,615,276)</u>
Governmental activities capital assets, net	<u>\$ 28,452,184</u>	<u>\$ 26,357,656</u>	<u>\$ 17,236,202</u>	<u>\$ 37,573,638</u>
Business-type Activities				
Depreciable Assets:				
Equipment	\$ 1,018,000	\$ 302,411	\$	\$ 1,320,411
Totals at historical cost	<u>1,018,000</u>	<u>302,411</u>		<u>1,320,411</u>
Less accumulated depreciation for:				
Equipment	<u>(575,682)</u>	<u>(49,521)</u>		<u>(625,203)</u>
Total accumulated depreciation	<u>(575,682)</u>	<u>(49,521)</u>		<u>(625,203)</u>
Business-type activities capital assets, net	<u>\$ 442,318</u>	<u>\$ 252,890</u>	<u>\$</u>	<u>\$ 695,208</u>
Depreciation expense was charged to governmental functions as follows:				
Unallocated-Governmental Funds				<u>\$ 494,560</u>
Total depreciation expense				<u>\$ 494,560</u>

In the 2024-2025 school year, building renovations and equipment purchases added \$9,616,014 to the historical cost of governmental activities and \$302,411 to the historical cost of business activities. Depreciation expense for that same time period was \$494,560 and \$49,521 for the governmental activities and business activities, resulting in book value increases of \$9,121,454 and \$252,890 for the governmental activities and business activities, respectively.

Note 4 – General Long-Term Debt

Changes in the School District’s long-term obligations during fiscal year 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, loans & leases payable					
Capital Improvement bonds	\$ 19,315,000	\$ -	\$ (420,000)	\$ 18,895,000	\$ 435,000
General Obligation Notes	-	1,078,806	-	1,078,806	-
Authority Lease Obligations	523,198		(27,297)	495,901	28,124
Add: Bond Premium	1,761,542		(62,912)	1,698,630	
Less: Bond Discount	(85,570)		3,056	(82,514)	
Total bonds, loans and leases payable	21,514,170	1,078,806	(507,153)	22,085,823	463,124
Other liabilities:					
Post retirement benefits & Compensated absences					
	158,372	35,433		193,805	
Pension Liability	30,348,100	2,754,000	(4,422,100)	28,680,000	
Health Insurance Premium Share (OPEB)	1,232,200	88,000	(110,000)	1,210,200	
OPEB Obligation	6,521,805	572,151	(303,423)	6,790,533	303,423
Total other liabilities	38,260,477	3,449,584	(4,835,523)	36,874,538	303,423
Governmental activities long-term liabilities					
	<u>\$ 59,774,647</u>	<u>\$ 4,528,390</u>	<u>\$ (5,342,676)</u>	<u>\$ 58,960,361</u>	<u>\$ 766,547</u>

School Lease Revenue Bonds

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

During 2010/2011, the Butler County Area Vocational-Technical School Authority issued lease revenue bonds in the principal amount of \$8,265,000. The purpose of the bonds is to pay a portion of the cost of additions and renovations to the BCAVTS facilities. During the 15/16 year, these bonds were refinanced with the issuance of the School Lease Revenue Bonds, Series of 2015. During the 20/21 year, these bonds were refinanced with the issuance of the School Lease Revenue Bonds, Series of 2021. The School District is responsible for a prorated share of this debt in the amount of \$553,804, with final payment due in 2040. The annual amounts necessary to amortize the bonds payable outstanding as of June 30, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 28,124	\$ 10,759	\$ 38,883
2027	29,365	9,634	38,999
2028	29,779	9,047	38,826
2029	30,606	8,451	39,057
2030	31,020	7,839	38,859
2031-2035	164,197	29,634	193,831
2036-2039	182,810	12,192	195,002
Total	<u>\$ 495,901</u>	<u>\$ 87,556</u>	<u>\$ 583,457</u>

Capital Improvement Bonds

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 435,000	\$ 635,600	\$ 1,070,600
2027	455,000	617,800	1,072,800
2028	470,000	599,300	1,069,300
2029	490,000	580,100	1,070,100
2030	510,000	560,100	1,070,100
2031-2035	2,840,000	2,618,200	5,458,200
2036-2040	3,300,000	2,055,500	5,355,500
2041-2045	3,835,000	1,521,425	5,356,425
2046-2050	4,500,000	857,825	5,357,825
2051-2052	2,060,000	83,200	2,143,200
Total	<u>\$ 18,895,000</u>	<u>\$ 10,129,050</u>	<u>\$ 29,024,050</u>

General Obligation Notes

On June 18, 2025, the School District received credit in the form of a loan payable from Nextier Bank. The loan includes a maximum sum of \$5,000,000 with an interest rate of prime rate plus 2%. The proceeds of the loan are to be used for (1) the replacement of the High School roof, (2) the replacement of the artificial field surface, the surrounding track and the light fixtures at the stadium, and (3) paying the costs and expenses related to the issuance of the Note. As of June 30, 2025, the School District has drawn \$1,078,806 on this loan. The loan includes interest only payments until July 18, 2027. A final amortization schedule for this Note is not available as draws are continuing on this loan and may continue through June 18, 2027.

Note 5 – Pension Plan

1. Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Member Contributions:

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25% 6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary

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

Employer Contributions:

The School District’s contractually required contribution rate for fiscal year ended June 30, 2025 was 32.92%* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,241,180 for the year ended June 30, 2025.

*The defined benefit contribution rate of 0.35% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution rate. This may impact contributions made to the pension plan.

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

At June 30, 2025, the District reported a liability of \$28,680,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2025, the District's proportion was 0.0685%, which was an increase of 0.0003% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$2,463,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 451,000
Net difference between projected and actual investment earnings	475,000	
Changes in Proportions	97,000	504,000
Contributions subsequent to the measurement date	3,241,180	
	<u>\$ 3,813,180</u>	<u>\$ 955,000</u>

\$3,241,180 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	
June 30:	
2025	\$ (1,055,000)
2026	610,000
2027	159,000
2028	<u>(96,000)</u>
Total	<u>\$ (382,000)</u>

3. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2024 was determined by rolling forward the System's total pension liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2023
- 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, 2023 and as of June 30, 2024.
- 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, 2024 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	30.0%	4.8%
Private Equity	12.0%	6.7%
Fixed Income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure	10.0%	6.4%
Real Estate	9.5%	5.9%
	<u>100.0%</u>	

The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

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

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

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

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	\$ 37,768,000	\$ 28,671,000	\$ 20,989,000

Pension Plan Fiduciary Net Position

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

Note 6 – OPEB Liability – Health Insurance Premium Share

OPEB Plan

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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

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

Pension Plan Description

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

time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.pa.gov/PSERS.

Benefits Provided

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

Employer Contributions:

The school district’s contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$61,375 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$1,210,200 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District’s proportion was 0.0681%, which is the same as its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized OPEB expenses of \$25,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,000	\$ 18,000
Changes in Assumptions	74,000	185,000
Net difference between projected and actual investment earnings	2,000	
Changes in Proportions	4,000	52,000
Contributions subsequent to the measurement date	61,375	
	<u>\$ 146,375</u>	<u>\$ 255,000</u>

\$61,375 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	
June 30:	
2025	\$ (48,000)
2026	(56,000)
2027	(52,000)
2028	(12,000)
2029	<u>(4,000)</u>
Total	<u><u>(172,000)</u></u>

3. Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by rolling forward the System’s total OPEB liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.21% – S&P 20 Year Municipal Bond Rate
- Salary growth – Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version for the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.

- Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	1.7%
	<u>100.0%</u>	

The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.21%. 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 4.21%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 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, 2024, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	Dollar Amounts In Thousands		
	Current Trend		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
System net OPEB Liability	\$ 1,776,302	\$ 1,776,459	\$ 1,776,586

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
	3.21%	4.21%	5.21%
District's proportionate share of the net OPEB liability	\$ 1,367,000	\$ 1,210,000	\$ 1,078,000

OPEB Plan Fiduciary Net Position

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

Note 7 – Compensated Absences

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

	Sick Day Liability
June 30, 2024 Balance	\$ 158,372
Net Change in Benefits	<u>35,433</u>
June 30, 2025 Balance	<u><u>\$ 193,805</u></u>

Note 8 – Other Post Employment Benefits

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

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

Funded Status and Funding Progress. As of June 30, 2025, the actuarial accrued liability for benefits was \$6,790,533, all of which was unfunded.

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

For the year ended June 30, 2025, the District recognized expense of \$333,718. At June 30, 2025 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 848,081
Changes in Assumptions	582,932	1,420,362
Benefit payments subsequent to the measurement date	341,364	
	<u>\$ 924,296</u>	<u>\$ 2,268,443</u>

Future Deferred Outflows and (Inflows) to be Recognized as OPEB Expense (Income):

Fiscal Year Ending	
June 30, 2026	\$ (219,335)
June 30, 2027	(219,335)
June 30, 2028	(219,335)
June 30, 2029	(219,336)
June 30, 2030	(237,299)
Thereafter	(570,871)

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

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

	<u>1% Decrease 3.29%</u>	<u>Current Discount Rate 4.29%</u>	<u>1% Increase 5.29%</u>
Net OPEB Liability	\$ 7,221,275	\$ 6,790,533	\$ 6,375,698

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 6,117,943	\$ 6,790,533	\$ 7,567,567

Schedule of Changes in the Total OPEB Liability and Related Ratios

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Service Cost	\$ 278,969	\$ 294,856	\$ 448,253	\$ 491,643	\$ 360,140
Interest	274,084	272,587	186,415	155,752	242,700
Difference between expected and actual experience		(450,680)		(276,076)	
Changes of Assumptions	19,098	104,113	(1,666,218)	(205,343)	741,540
Benefit Payments	(303,423)	(257,886)	(299,934)	(344,313)	(302,874)
Net Change in total OPEB Liability	<u>268,728</u>	<u>(37,010)</u>	<u>(1,331,484)</u>	<u>(178,337)</u>	<u>1,041,506</u>
Total OPEB liability - beginning of year	6,521,805	6,558,815	7,890,299	8,068,636	7,027,130
Total OPEB liability - end of year	\$ 6,790,533	\$ 6,521,805	\$ 6,558,815	\$ 7,890,299	\$ 8,068,636
Covered-employee payroll	\$ 9,190,600	\$ 9,190,600	\$ 9,223,717	\$ 9,223,717	\$ 8,730,902
Total OPEB liability as a percentage of covered-employee payroll	73.89%	70.96%	71.11%	85.54%	92.41%

The following assumptions were also made:

Actuarial Cost Method – Entry Age Normal

Actuarial Value of Assets – Equal to the Market value of assets

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

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

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

Discount Rate – 4.29%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2024.

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

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

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

Percent Married at Retirement – 80% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse age – Wives are assumed to be two years younger than their husbands.

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

Disability – No disability was assumed.

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

Health Care Cost Trend Rate – 7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Note 9 – Lease Assets and Liabilities

During June 2020, the District entered into a lease with US Bank Equipment Finance for the use of copy equipment. The lease was for a 60-month period, required monthly payments of \$7,400.00 and was set to expire during June 2025. This lease was terminated early in July 2024.

During July 2024, the District entered into a lease with Leaf Capital Funding for the use of copy equipment. The lease is for a 60-month period, requires monthly payments of \$7,123.00 and is set to expire during June 2029.

Below is a summary of the lease expenses recognized by the District during the 24/25 year, along with the balances of the lease assets and liabilities as of June 30, 2025. These assets and liabilities are recognized on the Statement of Net Position as Right to Use Intangible Assets and Lease Payable.

Lease expense	Year Ending	
	6/30/2025	
Amortization expense by class of underlying asset		
Copy Machine	\$	73,688
Total amortization expense		73,688
Interest on lease liabilities		20,334
Total	\$	94,022

Lease Assets	Modifications &					Amounts Due Within
	Beginning of Year	Additions	Remeasurements	Subtractions	End of Year	
Copy Machine	\$ 328,268	\$ 368,441	\$ (328,268)	\$ -	\$ 368,441	
	328,268	368,441	(328,268)	-	368,441	
Less: Accumulated Amortization						
Copy Machine	(246,202)	(73,688)		246,202	(73,688)	
	(246,202)	(73,688)	-	246,202	(73,688)	
Total Lease Assets, net	\$ 82,066	\$ 294,753	\$ (328,268)	\$ 246,202	\$ 294,753	
Lease Liabilities	\$ 86,864	\$ 368,441	\$ (86,864)	\$ (65,141)	\$ 303,300	\$ 69,159

Maturity Analysis - Fiscal Year Ending	Principal	Interest	Total Payments
June 30, 2026	\$ 69,159	\$ 16,317	\$ 85,476
June 30, 2027	73,425	12,051	85,476
June 30, 2028	77,954	7,522	85,476
June 30, 2029	82,762	2,714	85,476
Total	\$ 303,300	\$ 38,604	\$ 341,904

Subscription Based Information Technology Agreements

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

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

Below is a summary of the subscription based expenses recognized by the District during the 24/25 year, along with the balances of the subscription based assets and liabilities as of June 30, 2025. These assets and liabilities are recognized on the Statement of Net Position as Right to Use Intangible Assets and Lease Payable.

	Year Ending 6/30/2025
Lease expense	
Amortization expense by class of underlying asset	
SBITA - GASB 96	\$ 16,360
Total amortization expense	16,360
Interest on lease liabilities	601
Variable lease expense	
Total	<u>\$ 16,961</u>

Lease Assets	Beginning of Year	Additions	Modifications &		End of Year	Amounts Due Within One Year
			Remeasurements	Subtractions		
SBITA - GASB 96	\$ 58,561	\$ -	\$ -	\$ (20,631)	\$ 37,930	
	58,561	-	-	(20,631)	37,930	
Less: Accumulated Amortization						
SBITA - GASB 96	(32,719)	(16,360)		20,631	(28,448)	
	(32,719)	(16,360)	-	20,631	(28,448)	
Total Lease Assets, net	<u>\$ 25,842</u>	<u>\$ (16,360)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,482</u>	
Lease Liabilities	<u>\$ 26,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,333)</u>	<u>\$ 9,749</u>	<u>\$ 9,749</u>

Maturity Analysis - Fiscal Year Ending	Principal	Interest	Total Payments
June 30, 2026	\$ 9,749	\$ 601	\$ 10,350
Total	<u>\$ 9,749</u>	<u>\$ 601</u>	<u>\$ 10,350</u>

Note 10 – Jointly Governed Organizations

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

Note 11 – Investment in Joint Venture

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

Note 12 – Contingent Liabilities and Events

Karns City Area School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2025 have not yet been conducted. Accordingly, the School District’s compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time although the School District expects such amounts to be immaterial.

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

Note 13 – Interfund Balances

As of June 30, 2025, there were the following individual fund level interfund receivable and payable balances:

<u>Interfund Receivable</u>	<u>Amounts</u>	<u>Interfund Payable</u>	<u>Amounts</u>
Capital Projects Fund	\$ 500,000	General Fund	\$ 692,243
Cafeteria Fund	192,243		
	<u>\$ 692,243</u>		<u>\$ 692,243</u>

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

During the fiscal year ended June 30, 2025 there were the following interfund transfers made:

<u>Transfers from</u>	<u>Amounts</u>	<u>Transfers to</u>	<u>Amounts</u>
General Fund	\$ 500,000	Capital Projects Fund	\$ 500,000
Capital Projects Fund	260,812	Cafeteria Fund	260,812
	<u>\$ 760,812</u>		<u>\$ 760,812</u>

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

Note 14 – Risk Management

The School District is exposed to various risk of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Karns City Area School District manages most of its risk through the general fund with the purchase of commercial insurance coverage. Settled claims have not exceeded coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year. However,

for those amounts not covered by insurance by reason of policy limitations or deductibles or uninsurability, the School District has established a Risk Management Fund to account for and to accumulate money to be used in the event of such uninsured losses.

Note 15 – Health Insurance Consortium

The District participates in the Western Pennsylvania Schools Health Care Consortium (WPSHCC). The Consortium provides medical benefit coverage for the employees of participating Pennsylvania public school entities. The District pays premiums to WPSHCC which are determined in advance by the Consortium's operating committee in amounts required to fund anticipated benefits and claims, as well as operational costs and reserve or deficit recovery needs. Should the Consortium dissolve, any fund balances remaining, after liabilities for health insurance services incurred are satisfied, will be expended for the benefit of the previous and most recent participants; however, if liabilities exceed fund balances, the participants are responsible. The Consortium has established a Rate Stabilization Fund to provide for future unpaid claims or to minimize future increases in contributions from the participating school districts. In the event that a participant opts to terminate its participation in the Consortium, the withdrawing participant shall be eligible for a reimbursement of any excess funds contributed into the Rate Stabilization Fund. The Consortium has purchased specific stop-loss coverage from Partners Managing General Underwriters (PMGU) underwritten by United States Fire Insurance Company to protect the Consortium against individual catastrophic claims in excess of \$300,000. The District estimates that there are no additional amounts due to the Consortium at June 30, 2025.

Required Supplementary Information

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

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's Proportion of the Net Pension Liability	0.0685%	0.0682%	0.0698%	0.0710%	0.0705%	0.0735%	0.0729%	0.0737%	0.0749%	0.0761%
District's Proportionate Share of the Net Pension Liability	\$ 28,671,000	\$ 30,340,000	\$ 31,032,000	\$ 29,191,000	\$ 34,714,000	\$ 34,385,000	\$ 34,996,000	\$ 36,399,000	\$ 37,118,000	\$ 32,963,000
District's Covered-employee Payroll	\$ 10,872,957	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676	\$ 9,791,352
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	263.69%	290.79%	302.52%	289.99%	349.43%	339.12%	356.69%	370.77%	382.59%	336.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

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

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
District's Proportion of the Net OPEB Liability	0.0681%	0.0681%	0.0698%	0.0710%	0.0705%	0.0735%	0.0729%	0.0737%	0.0749%
District's Proportionate Share of the Net OPEB Liability	\$ 1,210,000	\$ 1,232,000	\$ 1,285,000	\$ 1,683,000	\$ 1,530,000	\$ 1,563,000	\$ 1,520,000	\$ 1,502,000	\$ 1,613,000
District's Covered-employee Payroll	\$ 10,872,957	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	11.13%	11.81%	12.53%	16.72%	15.40%	15.41%	15.49%	15.30%	16.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 3,595,951	\$ 3,571,697	\$ 3,479,929	\$ 3,374,160	\$ 3,293,711	\$ 3,291,503	\$ 3,093,386	\$ 2,818,957	\$ 2,651,688	\$ 2,503,397
Contributions in relation to the actuarially determined contribution	3,595,951	3,571,697	3,479,929	3,374,160	3,293,711	3,291,503	3,093,386	2,818,957	2,382,897	1,964,989
Contribution Deficiency	-	-	-	-	-	-	-	-	268,791	538,408
Covered Payroll	\$ 10,872,957	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676	\$ 9,791,352
Contribution as a percentage of covered payroll	33.07%	34.23%	33.92%	33.52%	33.15%	32.46%	31.53%	28.71%	24.56%	20.07%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 77,477	\$ 81,096	\$ 102,824	\$ 95,119	\$ 97,837	\$ 102,521	\$ 98,129	\$ 92,636	\$ 96,991
Contributions in relation to the actuarially determined contribution	69,380	77,878	81,508	82,619	82,995	84,210	81,447	81,481	84,305
Contribution Deficiency	8,097	3,218	21,316	12,500	14,842	18,311	16,682	11,155	12,686
Covered Payroll	\$ 10,872,957	\$ 10,433,596	\$ 10,257,878	\$ 10,066,346	\$ 9,934,538	\$ 10,139,573	\$ 9,811,371	\$ 9,817,175	\$ 9,701,676
Contribution as a percentage of covered payroll	0.64%	0.75%	0.79%	0.82%	0.84%	0.83%	0.83%	0.83%	0.87%

Supplementary Information

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

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

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CYPHER & CYPHER



CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
November 26, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Karns City Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Karns City Area School District's major federal programs for the year ended June 30, 2025. Karns City Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Karns City Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

CYPHER & CYPHER



CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
November 26, 2025

Karns City Area School District Schedule of Findings and Questioned Costs Year Ended June 30, 2025

Section 1 – Summary of Auditor’s Results

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

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

vii.	Major Programs:	
	ALN Number(s)	Name of Federal Program or Cluster
	10.553 10.555	Child Nutrition Cluster
viii.	Dollar threshold used to distinguish between type A and type B programs:	\$750,000
ix.	Auditee qualify as low-risk auditee?	Yes

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

None noted.

Section 3 – Findings and Questioned Costs for Federal Awards

None noted.

Section 4 – Summary of Prior Audit Findings

None.

KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHOOL YEAR ENDED JUNE 30, 2025

PROJECT TITLE OR GRANT NAME	FUNDING SOURCE	FEDERAL ALN #	PASS THROUGH GRANTOR #	PROGRAM YEARS	PROGRAM GRANT AWARD	CASH RECEIVED IN 24/25	ACCRUED/ DEFERRED REVENUE 07/01/24	REVENUES RECOGNIZED 24/25	EXPENDITURES RECOGNIZED 24/25	ACCRUED/ DEFERRED REVENUE 06/30/25	CARRYOVER TO 25/26
SPECIAL EDUCATION CLUSTER (IDEA)											
DEPARTMENT OF EDUCATION											
PASSED FROM MIDWEST INTERMEDIATE UNIT IV											
IDEA, PART B	I	84.027	062-22-0004	24/25	\$ 246,578.88	\$ 221,085.09	\$ -	\$ 246,578.88	\$ 246,578.88	\$ 25,493.79	\$ -
				23/24	245,995.65	45,110.14	45,110.14				
IDEA 619 - EARLY INTERVENTION	I	84.173	131-22-0004	24/25	395.00			395.00	395.00	395.00	
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)					\$ 492,969.53	\$ 266,195.23	\$ 45,110.14	\$ 246,973.88	\$ 246,973.88	\$ 25,888.79	\$ -
CHILD NUTRITION CLUSTER											
UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)											
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION											
SCHOOL BREAKFAST PROGRAM	I	10.553		24/25	\$ 266,962.32	\$ 266,962.32	\$ -	\$ 266,962.32	\$ 266,962.32	\$ -	\$ -
SUBTOTAL ALN #10.553					266,962.32	266,962.32		266,962.32	266,962.32		
NATIONAL SCHOOL LUNCH PROGRAM	I	10.555		24/25	492,031.94	492,031.94		492,031.94	492,031.94		
					492,031.94	492,031.94		492,031.94	492,031.94		
PASSED FROM PENNSYLVANIA DEPARTMENT OF AGRICULTURE											
NATIONAL SCHOOL LUNCH PROGRAM - DONATED											
COMMODITIES											
	I	10.555		24/25	66,383.13	66,383.13 a		58,510.79	58,510.79 c	(7,872.34) d	7,872.34
				23/24	67,112.50		(7,952.04) b	7,952.04	7,952.04 c		
TOTAL DONATED COMMODITIES					133,495.63	66,383.13	(7,952.04)	66,462.83	66,462.83	(7,872.34)	7,872.34
SUBTOTAL ALN #10.555					625,527.57	558,415.07	(7,952.04)	558,494.77	558,494.77	(7,872.34)	7,872.34
TOTAL CHILD NUTRITION CLUSTER					\$ 892,489.89	\$ 825,377.39	\$ (7,952.04)	\$ 825,457.09	\$ 825,457.09	\$ (7,872.34)	\$ 7,872.34

KARNS CITY AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
SCHOOL YEAR ENDED JUNE 30, 2025

PROJECT TITLE OR GRANT NAME	FUNDING SOURCE	FEDERAL ALN #	PASS THROUGH GRANTOR #	PROGRAM YEARS	PROGRAM GRANT AWARD	CASH RECEIVED IN 24/25	ACCRUED/ DEFERRED REVENUE 07/01/24	REVENUES RECOGNIZED 24/25	EXPENDITURES RECOGNIZED 24/25	ACCRUED/ DEFERRED REVENUE 06/30/25	CARRYOVER TO 25/26
EDUCATION STABILIZATION FUND											
PASSED FROM THE PENNSYLVANIA DEPARTMENT OF EDUCATION											
ARP ACT - ESSERS III	I	84.425U	FA-223-21-0209	21/22	1,889,375.00	480,931.93	480,931.93				
ARP ACT - ESSERS III 7% LEARNING LOSS	I	84.425U	FA-225-21-0209	21/22	104,890.00	1,907.14	(1,938.86)	3,846.00	3,846.00		
ARP ACT - ESSERS III 7% SUMMER PROGRAMS	I	84.425U	FA-225-21-0209	21/22	20,978.00	381.32	381.32				
ARP ACT - ESSERS III 7% AFTERSCHOOL PROGRAMS	I	84.425U	FA-225-21-0209	21/22	20,978.00	381.32	381.32				
TOTAL EDUCATION STABILIZATION FUND					<u>2,036,221.00</u>	<u>483,601.71</u>	<u>479,755.71</u>	<u>3,846.00</u>	<u>3,846.00</u>		
PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY											
COVID-SFR School Mental Health Grant	I	21.027	2023-CM-1-42491	23/24	116,558.00	89,980.00	9,900.00	100,100.00	100,100.00	20,020.00	6,558.00
TOTAL ALN #32.009					<u>116,558.00</u>	<u>89,980.00</u>	<u>9,900.00</u>	<u>100,100.00</u>	<u>100,100.00</u>	<u>20,020.00</u>	<u>6,558.00</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)											
PASSED FROM PENNSYLVANIA DEPARTMENT OF WELFARE											
MEDICAL ASSISTANCE	I	93.778	100211	24/25	\$ 4,904.59	\$ 4,904.59	\$ -	\$ 4,904.59	\$ 4,904.59	\$ -	\$ -
TOTAL MEDICAL ASSISTANCE					<u>4,904.59</u>	<u>4,904.59</u>		<u>4,904.59</u>	<u>4,904.59</u>		
GRAND TOTAL					<u>\$ 3,543,143.01</u>	<u>\$ 1,670,058.92</u>	<u>\$ 526,813.81</u>	<u>\$ 1,181,281.56</u>	<u>\$ 1,181,281.56</u>	<u>\$ 38,036.45</u>	<u>\$ 14,430.34</u>

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

Karns City Area School District

Notes to Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Karns City Area School District (the “School District”) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Karns City Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Karns City Area School District.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District had food commodities totaling \$7,872 in inventory.

Note 4 – Indirect Cost Rates

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

