

# **State College Area School District**

Financial Statements and  
Supplementary Information

June 30, 2021

# State College Area School District

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# State College Area School District

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## **Independent Auditors' Report**

To the Board of School Directors of  
State College Area School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of State College Area School District (the District), as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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 activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 11, the schedule of District's proportionate share of the PSERS net pension liability on page 46, the schedule of District's PSERS pension contributions on page 47, the schedule of the District's proportionate share of the PSERS net OPEB liability on page 48, the schedule of District's PSERS OPEB contributions on page 49 and the schedule of changes in total OPEB liability and related ratios - District plan on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information contained in the Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund (pages 55-56), the Combining Balance Sheet - Nonmajor Governmental Funds on page 57, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds on page 58 and the Schedule of Expenditures of Federal Awards, as required by OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) as listed in the table of contents 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 supplementary information contained in the Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund (pages 55-56), the Combining Balance Sheet - Nonmajor Governmental Funds on page 57, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds on page 58 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



State College, Pennsylvania  
December 8, 2021

# **State College Area School District**

## **Management's Discussion and Analysis (Unaudited)**

June 30, 2021

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This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of the State College Area School District (the District) for the year ended June 30, 2021. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

# State College Area School District

## Management's Discussion and Analysis (Unaudited)

June 30, 2021

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

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

### Proprietary Funds

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

### Notes to Financial Statements

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

### Government-Wide Financial Analysis

#### Condensed Statements of Net Deficit

June 30, 2021 and 2020

	Condensed Statements of Net Deficit					
	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets and Deferred Outflows of Resources</b>						
Current and other assets	\$ 70,310,619	\$ 50,294,626	\$ 974,163	\$ 347,407	\$ 71,284,782	\$ 50,642,033
Noncurrent assets	347,521,220	364,603,195	166,565	180,767	347,687,785	364,783,962
Deferred outflows of resources	42,839,089	37,929,097	899,219	773,092	43,738,308	38,702,189
Total	<u>\$ 460,670,928</u>	<u>\$ 452,826,918</u>	<u>\$ 2,039,947</u>	<u>\$ 1,301,266</u>	<u>\$ 462,710,875</u>	<u>\$ 454,128,184</u>
<b>Liabilities, Deferred Inflows of Resources and Net Deficit</b>						
Current liabilities	\$ 28,772,892	\$ 28,622,674	\$ 393,118	\$ 287,935	\$ 29,166,010	\$ 28,910,609
Long-term liabilities:						
Due within one year	8,680,000	8,310,000	-	-	8,680,000	8,310,000
Due after one year	477,336,959	472,069,516	5,608,011	5,153,220	482,944,970	477,222,736
Total liabilities	514,789,851	509,002,190	6,001,129	5,441,155	520,790,980	514,443,345
Deferred inflows of resources	6,724,895	8,692,222	159,953	192,287	6,884,848	8,884,509
Net deficit:						
Net investment in capital assets	63,005,476	65,022,412	166,565	180,767	63,172,041	65,203,179
Restricted (for capital projects and debt service)	59,832,977	64,456,646	-	-	59,832,977	64,456,646
Unrestricted	(183,682,271)	(194,346,552)	(4,287,700)	(4,512,943)	(187,969,971)	(198,859,495)
Total net deficit	<u>(60,843,818)</u>	<u>(64,867,494)</u>	<u>(4,121,135)</u>	<u>(4,332,176)</u>	<u>(64,964,953)</u>	<u>(69,199,670)</u>
Total	<u>\$ 460,670,928</u>	<u>\$ 452,826,918</u>	<u>\$ 2,039,947</u>	<u>\$ 1,301,266</u>	<u>\$ 462,710,875</u>	<u>\$ 454,128,184</u>

# State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2021

## Condensed Statements of Activities For the Years Ended June 30, 2021 and 2020

Condensed Statements of Activities						
	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 426,407	\$ 1,319,512	\$ 271,636	\$ 1,958,647	\$ 698,043	\$ 3,278,159
Operating grants and contributions	25,854,316	22,848,393	4,610,206	1,718,136	30,464,522	24,566,529
Capital grants	-	606,921	18,630	-	18,630	606,921
General revenues:						
Taxes levied, net	132,240,349	130,729,912	-	-	132,240,349	130,729,912
Grants, subsidies and contributions not restricted	9,833,618	9,830,508	-	-	9,833,618	9,830,508
Other	953,567	3,877,307	-	-	953,567	3,877,307
<b>Total revenues</b>	<b>169,308,257</b>	<b>169,212,553</b>	<b>4,900,472</b>	<b>3,676,783</b>	<b>174,208,729</b>	<b>172,889,336</b>
<b>Program Expenses:</b>						
Instruction	98,265,081	95,394,132	-	-	98,265,081	95,394,132
Instructional student support	13,623,238	13,544,884	-	-	13,623,238	13,544,884
Administration and financial support services	17,067,788	17,375,448	-	-	17,067,788	17,375,448
Operation and maintenance of plant services	19,616,921	18,732,582	-	-	19,616,921	18,732,582
Pupil transportation	6,408,604	6,431,133	-	-	6,408,604	6,431,133
Student activities	2,453,786	2,806,980	-	-	2,453,786	2,806,980
Community services	32,295	76,041	-	-	32,295	76,041
Interest on long-term debt	7,915,757	7,796,388	-	-	7,915,757	7,796,388
Unallocated depreciation	360,439	367,192	-	-	360,439	367,192
Loss on disposal of capital assets	8,985	-	-	-	8,985	-
Transfers out (in)	59,750	466,486	(59,750)	(466,486)	-	-
Food service	-	-	4,749,181	4,487,444	4,749,181	4,487,444
<b>Total program expenses</b>	<b>165,812,644</b>	<b>162,991,266</b>	<b>4,689,431</b>	<b>4,020,958</b>	<b>170,502,075</b>	<b>167,012,224</b>
<b>Change in net position</b>	<b>3,495,613</b>	<b>6,221,287</b>	<b>211,041</b>	<b>(344,175)</b>	<b>3,706,654</b>	<b>5,877,112</b>
<b>Net Deficit, Beginning</b>	<b>(64,339,431)</b>	<b>(71,088,781)</b>	<b>(4,332,176)</b>	<b>(3,988,001)</b>	<b>(68,671,607)</b>	<b>(75,076,782)</b>
<b>Net Deficit, Ending</b>	<b>\$ (60,843,818)</b>	<b>\$ (64,867,494)</b>	<b>\$ (4,121,135)</b>	<b>\$ (4,332,176)</b>	<b>\$ (64,964,953)</b>	<b>\$ (69,199,670)</b>

Total net position of the District increased \$3,706,654 in 2021. Net position of governmental activities increased by \$3,495,613, while net position of the business-type activity increased \$211,041. The beginning governmental net deficit has been decreased by \$528,063 to reflect the adoption of GASB 84, which recognizes the funds supporting the District's student activities as governmental activities where they were previously presented as a Fiduciary Fund.

The District had \$165,812,644 in expenses and transfers related to governmental activities in 2021; only \$26,280,723 of these expenses were offset by program-specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$143,027,534 also provided for these programs. The \$3,495,613 increase in governmental activities net position represents the excess of revenues over expenses.

In the District's business-type activity, net position increased by \$211,041 as a result of the net income of the food service operation after a transfer in from the General Fund of \$59,750.



## State College Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2021

The June 30, 2021 government-wide financial statements reflect the District's estimated share of the PSERS liability and related deferred outflows and inflows of resources, as required under the Governmental Accounting Standards Board (GASB) 68. GASB 75 requires that the District report a liability and deferred outflows and inflows of resources related to postemployment benefits other than pension (OPEB), primarily health insurance. Below is a schedule showing the impact of GASB 68 and 75 on the unrestricted net position as of June 30, 2020 and 2021.

	<b>Total Net Position</b>	<b>GASB 68 and 75 (Pension and OPEB Impact)</b>	<b>Total Excluding GASB 68 and 75 Impact</b>	<b>Net Position Available to Fund Operations and Debt Service</b>
Governmental Activities:				
At June 30, 2020	\$ (64,867,494)	\$ (216,348,727)	\$ 151,481,233	\$ 86,458,821
Restatement for GASB 84	528,063	-	528,063	-
Change in net position	<u>3,495,613</u>	<u>(7,886,543)</u>	<u>11,382,156</u>	<u>13,399,092</u>
Ending at June 30, 2021	<u>\$ (60,843,818)</u>	<u>\$ (224,235,270)</u>	<u>\$ 163,391,452</u>	<u>\$ 99,857,913</u>
Business-Type Activities:				
At June 30, 2020	\$ (4,332,176)	\$ (4,523,823)	\$ 191,647	\$ 10,880
Change in net position	<u>211,041</u>	<u>(289,103)</u>	<u>500,144</u>	<u>481,151</u>
Ending at June 30, 2021	<u>\$ (4,121,135)</u>	<u>\$ (4,812,926)</u>	<u>\$ 691,791</u>	<u>\$ 492,031</u>

As of June 30, 2021, excluding the impact of changes in position recorded based on GASB 68 and 75, \$40,552,999 of unrestricted net position of the \$163,391,452 of total net position was available to meet the District's ongoing obligations to employees and creditors for governmental activities. In addition, \$59,832,977 of restricted net position was available to meet debt service obligations or to fund future capital projects and \$63,005,476 is invested in capital assets and restricted for capital projects.

### Financial Analysis of the Governmental Funds

#### General Fund

##### Revenues

Revenues for the 2020 - 2021 fiscal year were \$168,866,113 compared to \$167,918,285 for the previous fiscal year. The revenues are derived from four main sources, as follows:

	<b>2020 - 2021</b>	<b>2019 - 2020</b>	<b>Change Increase (Decrease)</b>	<b>% Change</b>
Local sources	\$ 133,927,008	\$ 134,183,786	\$ (256,778)	(0.2) %
State sources	29,871,140	29,981,916	(110,776)	(0.4)
Federal sources	5,067,965	2,454,158	2,613,807	106.5
Other financing sources	<u>-</u>	<u>1,298,425</u>	<u>(1,298,425)</u>	<u>(100.0)</u>
Total	<u>\$ 168,866,113</u>	<u>\$ 167,918,285</u>	<u>\$ 947,828</u>	<u>0.6 %</u>

## State College Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2021

Local revenues are derived primarily from levying taxes such as real estate tax, earned income tax and real estate transfer tax. Local revenues decreased \$256,778 compared to the prior year. Real estate taxes, including supplemental tax billings, increased approximately \$1,071,000, primarily related to an increase in assessed value. Supplemental tax rebates totaling \$85,000 offset real estate tax revenue. The District implemented a Supplemental Tax Rebate Program in the 2015-2016 fiscal year, which provides property tax rebates to senior citizens, widows, widowers and disabled persons who meet certain income eligibility guidelines and who are homeowners. Transfer tax increased \$495,000 and delinquent tax collections increased approximately \$429,000. Earned income tax and investment earnings decreased approximately \$140,000 and \$940,000, respectively. Tuition decreased approximately \$846,000 related to a reduction in after school programs due to the COVID-19 pandemic and other miscellaneous local revenue decreased \$179,000 primarily related to closure of district buildings for outside use.

State revenues are derived primarily from state subsidies for basic education and special education and a 50 percent reimbursement for social security and retirement costs. State revenues decreased \$110,776 primarily related to \$606,921 of Alternative and Clean Energy grants received in the prior year from the Pennsylvania Department of Community and Economic Development (DCED) which funded a portion of three elementary construction projects. Social security reimbursement increased approximately \$332,000 primarily due to receipt of funding that was delayed in 2019-20.

Federal revenues increased \$2,613,807 primarily related to an increase in COVID related grant funding of approximately \$3,038,000, offset by a decrease in revenue from the School Based ACCESS program of approximately \$313,000 and Title grants of \$105,000.

Other financing sources decreased \$1,298,425 due to receipt of approximately \$1,300,000 in proceeds in 2019-20 from the sale of the Lemont school building, which did not reoccur.

### Expenditures

Expenditures and other financing uses for the 2020 - 2021 fiscal year were \$154,859,899 compared to the 2019 - 2020 fiscal year of \$158,464,022 or 2.3 percent decrease. The following table shows the expenditures by object category:

	2020 - 2021	2019 - 2020	Increase (Decrease)	% Change
Salaries and benefits	\$ 115,972,590	\$ 115,301,565	\$ 671,025	0.6 %
Professional services	2,947,482	2,831,599	115,883	4.1
Purchased property services	1,551,666	1,320,379	231,287	17.5
Other purchased services	11,962,266	12,068,366	(106,100)	(0.9)
Supplies and property	8,208,900	7,579,832	629,068	8.3
Other objects	490,210	703,311	(213,101)	(30.3)
Other uses of funds	13,726,785	18,658,970	(4,932,185)	(26.4)
Total	<u>\$ 154,859,899</u>	<u>\$ 158,464,022</u>	<u>\$ (3,604,123)</u>	(2.3) %

Salaries and benefits increased \$671,025. Salary expense decreased approximately \$342,000, and benefits increased approximately \$1,013,000, primarily related to an approximate \$788,000 increase in health insurance and an approximate \$194,000 increase in retirement expense.

The increases in purchased property services were related to building maintenance and space rental as a result of the COVID-19 pandemic. Supplies and property also increased due to expenditures required related to the pandemic.

## State College Area School District

### Management's Discussion and Analysis (Unaudited)

June 30, 2021

Other objects decreased related to a \$407,000 reduction in the required transfer to the Food Service Fund due to the United States Department of Agriculture (USDA) extending free meals to all students in 2020-21, offset by an increase in refunds of prior year real estate taxes related tax appeals.

Other uses of funds decreased \$4,932,185. The transfer to the capital projects and capital reserve funds decreased approximately \$1,480,000 and \$3,080,000, respectively, related to budgeted reductions to offset revenue reductions. The transfer to the debt service fund decreased approximately \$370,000 primarily related to the refinancing of the series 2014 bonds.

#### Capital Reserve Fund

The Capital Reserve Fund is used to account for transfers from the General Fund that are to be used to fund future capital projects or debt service. The Capital Reserve Fund balance as of June 30, 2021 is \$59,832,977.

#### Capital Projects Fund

The Capital Projects Fund is used to account for capital projects of the District. The District spent \$2,744,328 for such projects in 2020-2021. The majority of expenditures in 2020-2021 related to Memorial Field and three playground projects. Other projects included renovations and improvements throughout the District. The Capital Projects fund balance is \$7,667,086 at June 30, 2021. Restricted cash of \$5,058,405 at June 30, 2021 represents bond funds available to fund additional building projects.

#### General Fund Budgetary Highlights

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

The General Fund's originally-approved budget for 2021 included \$158,442,690 of revenues and \$158,057,667 of expenditures and other financing uses. The budget was amended by \$340,526 for additional grants and related expenditures.

The actual revenues for 2021 were \$10,082,897 greater than the final budget. Local revenues were \$7,265,010 greater than budget primarily due to favorable variances in real estate tax revenue of approximately \$3,430,000, earned income tax of \$2,460,000, real estate transfer tax revenue of \$2,190,000 and delinquent tax of \$800,000. Tuition was less than budget by \$1,160,000 related to a reduction in after school programs due to the COVID-19 pandemic. Other local revenues were approximately \$460,000 less than budget. State revenues were \$233,230 less than budget primarily related to lower than budgeted reimbursement for bond payments. Federal revenues exceeded budget by \$3,051,117 due to greater than budgeted COVID related grant funding of approximately \$3,123,000.

Actual expenditures and other financing uses were \$3,538,294 less than the amended budget. The most significant positive budget variances include health insurance, professional services, other purchased services and debt service. The budgeted transfer to the Food Service Fund was less than budget by approximately \$690,000 due to USDA's extension of free meals to all students throughout the 2020-21 school year.

The District established a committed fund balance in 2019-20 to fund projected revenue shortfalls in future years related to the impacts of the COVID-19 pandemic. This committed fund balance at June 30, 2021 is \$24,472,600. Additional committed fund balance of \$2,640,414 is available to fund future increases in the PSERS expense.

## State College Area School District

### Management's Discussion and Analysis (Unaudited)

June 30, 2021

#### Capital Assets

The District's investment in capital assets for its governmental and business-type activity as of June 30, 2021 is summarized below (see details in Note 7 to the financial statements).

	<b>Governmental Activities</b>	<b>Business-Type Activity</b>	<b>Total</b>
Land, buildings and improvements	\$ 331,411,417	\$ -	\$ 331,411,417
Equipment and other capital assets	56,297,860	1,186,852	57,484,712
Construction in progress	111,436	-	111,436
Total	387,820,713	1,186,852	389,007,565
Accumulated depreciation	(105,190,875)	(1,020,287)	(106,211,162)
Net	<u>\$ 282,629,838</u>	<u>\$ 166,565</u>	<u>\$ 282,796,403</u>

#### Long-Term Debt

At June 30, 2021, the District had long-term debt of \$202,855,000 (see details in Note 9 to the financial statements) issued, authorized and outstanding, including referendum debt of \$65,465,000 related to the District's High School Project. Debt issued based on a voter referendum is excluded when comparing to the legal limit of debt. Debt that is not related to the referendum of \$137,390,000 is significantly below the legal limit of \$251,280,963.

#### Factors Expected to Have an Effect on Future Operations

The District has been awarded \$9,576,510 in various federal COVID relief funds. Funds utilized through 2020-21 total \$4,330,246, with the remaining funds projected to be utilized through 2023-24, funding various initiatives to address social, emotional and health needs of students, assist in the recovery costs related to lost learning during the pandemic, provide student learning during periods of quarantine and fund other qualified expenditures to supplement decreased revenues related to the economic impacts of the pandemic.

The assessed value used for the 2022 budget preparation is approximately \$2.42 billion, which is up approximately \$20 million, or 0.8 percent, from 2021. Amounts available for appropriation in the General Fund budget for 2021-2022 are \$166,950,197, an increase of approximately 5.6 percent over the 2020-2021 original budget of \$158,057,667. There is no increase in the property tax rate, therefore the rate will remain at 46.0875 mills. The District's budget assumes in-person instruction, plus a Virtual Academy option. Budgeted salary and benefits assume reinstatement of staffing levels to approximate 2019-20 levels. The budget includes \$517,829 in additional expense dedicated to lost learning resulting from the pandemic to be funded by COVID relief funds. Additional COVID relief funds will fund \$3,642,000 of qualified budgeted expenditures. Committed fund balance of \$288,574 will be utilized to maintain unassigned fund balance within the state maximum of 8 percent. Transfers to the Capital Reserve Fund are limited to \$198,376, an amount equal to the projected Plancon reimbursement related to debt paid from this fund.

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

## **State College Area School District**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2021

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

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

Act 1 of 2006 limited the ability of school districts to raise taxes above an inflationary index. It also gave districts the option of asking voters if they wanted to increase income taxes to decrease property taxes. In the 2007 primary election, 498 school districts were required to propose a referendum question asking voters to authorize an increase in the Earned Income Tax or authorize a Personal Income Tax in order to provide property tax reductions through the homestead and farmstead exclusion. The referendum question proposed for the State College Area School District was to increase the EIT by .7 percent for a total EIT rate of 1.65 percent. This referendum was defeated by voters.

School districts are now governed by back-end referendum requirements for increases in property tax rates. School districts are prohibited from increasing their tax rates above the annual inflationary percentage and must place referendum questions before the voters to approve further increases. Exceptions for rate increases above the index without going to referendum exist for special education costs, retirement rate changes, debt issuances and certain other limited areas. The Act 1 Index for 2020-2021 is 2.6 percent.

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

#### **Strategic Plan**

The Pennsylvania Department of Education (PDE) requires all school districts to develop a plan to prioritize goals, focusing on improving student learning in accordance with its community's experiences and desires. The 2018-2023 strategic plan was created based on input from a broad cross-section of the State College Area School District community and included formation of a steering committee of 72 students, parents, teachers, administrators, district staff, board members, community/higher education partners and community representatives.

The strategic plan and its annual updates are required to be submitted to PDE each year, however the due date for the 2020-21 update was extended due to the pandemic.

#### **District Growth**

DecisionInsite, enrollment impact specialists, were engaged to provide enrollment projections for the District. DecisionInsite used historical enrollment data, recent trends and projected new residential development to forecast student enrollment from 2016 to 2026. Both moderate and conservative projections forecast an increase in enrollment of approximately 1 percent to 2 percent, respectively, across the forecasted period. The District plans to update the enrollment projections in 2022.

#### **District-Wide Facilities Master Plan**

The District completed the renovation of Memorial Field in 2020-21. This was the final renovation as part of a District-Wide Facilities Master Plan. The project included new home bleachers, locker rooms, restrooms and concession stands. The total cost of the project was approximately \$13,800,000.

## **State College Area School District**

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Management's Discussion and Analysis (Unaudited)  
June 30, 2021

The District also completed installation of new playgrounds at Corl Street, Radio Park and Spring Creek elementary schools in 2020-21 as part of a district-wide master planning process for playgrounds. The total cost was approximately \$853,000.

Over the next several years, the District plans to embark on an additional facility master plan related to a middle school project, in addition to completing playgrounds and projects at various athletic facilities.

### **Contact the District's Financial Management**

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

**State College Area School District**Statement of Net Deficit  
June 30, 2021

	Governmental Activities	Business-Type Activity	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 57,918,052	\$ 13,355	\$ 57,931,407
Taxes receivable, net	2,433,817	-	2,433,817
Internal balances	5,963	(5,963)	-
Due from other governments	9,856,128	864,954	10,721,082
Other receivables	50,688	15,954	66,642
Inventories	15,500	85,863	101,363
Other current assets	30,471	-	30,471
Total current assets	70,310,619	974,163	71,284,782
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	64,891,382	-	64,891,382
Capital assets:			
Land	1,140,457	-	1,140,457
Buildings and improvements	330,270,960	-	330,270,960
Equipment and other capital assets	56,297,860	1,186,852	57,484,712
Construction in progress	111,436	-	111,436
Accumulated depreciation	(105,190,875)	(1,020,287)	(106,211,162)
Total noncurrent assets	347,521,220	166,565	347,687,785
Total assets	417,831,839	1,140,728	418,972,567
<b>Deferred Outflows of Resources</b>			
Pension	39,503,984	818,168	40,322,152
Other postemployment benefits (OPEB)	2,471,096	81,051	2,552,147
Deferred amounts on refunding	864,009	-	864,009
Total deferred outflows of resources	42,839,089	899,219	43,738,308
Total	\$ 460,670,928	\$ 2,039,947	\$ 462,710,875
<b>Liabilities, Deferred Inflows of Resources and Net Deficit</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 2,226,837	\$ 6,290	\$ 2,233,127
Current portion of bonds payable	8,680,000	-	8,680,000
Accrued salaries and benefits	15,901,950	128,417	16,030,367
Payroll deductions and withholdings	8,623,433	-	8,623,433
Unearned revenue	221,590	41,218	262,808
Other current liabilities	1,799,082	217,193	2,016,275
Total current liabilities	37,452,892	393,118	37,846,010
<b>Noncurrent Liabilities</b>			
Bonds payable	215,928,280	-	215,928,280
Other postemployment benefits liability (OPEB)	16,259,905	514,742	16,774,647
Net pension liability	243,225,550	5,037,450	248,263,000
Compensated absences	1,923,224	55,819	1,979,043
Total noncurrent liabilities	477,336,959	5,608,011	482,944,970
Total liabilities	514,789,851	6,001,129	520,790,980
<b>Deferred Inflows of Resources</b>			
Other postemployment benefits (OPEB)	895,625	39,223	934,848
Pension	5,829,270	120,730	5,950,000
Total deferred inflows of resources	6,724,895	159,953	6,884,848
<b>Net Deficit</b>			
Net investment in capital assets	63,005,476	166,565	63,172,041
Restricted (for capital projects and debt service)	59,832,977	-	59,832,977
Unrestricted deficit	(183,682,271)	(4,287,700)	(187,969,971)
Total net deficit	(60,843,818)	(4,121,135)	(64,964,953)
Total	\$ 460,670,928	\$ 2,039,947	\$ 462,710,875

See notes to financial statements

# State College Area School District

## Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Capital Grants	Net (Expense) Revenues and Changes in Net Deficit		Total
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activity	
Governmental activities:							
Instruction	\$ (98,265,081)	\$ 379,602	\$ 18,962,014	\$ -	\$ (78,923,465)		\$ (78,923,465)
Instructional student support	(13,623,238)	-	2,269,377	-	(11,353,861)		(11,353,861)
Administration and financial support services	(17,067,788)	-	1,547,842	-	(15,519,946)		(15,519,946)
Operation and maintenance of plant services	(19,616,921)	46,805	1,548,929	-	(18,021,187)		(18,021,187)
Pupil transportation	(6,408,604)	-	1,146,125	-	(5,262,479)		(5,262,479)
Student activities	(2,453,786)	-	117,802	-	(2,335,984)		(2,335,984)
Community services	(32,295)	-	11,829	-	(20,466)		(20,466)
Interest on long-term debt	(7,915,757)	-	250,398	-	(7,665,359)		(7,665,359)
Depreciation, unallocated	(360,439)	-	-	-	(360,439)		(360,439)
Total governmental activities	(165,743,909)	426,407	25,854,316	-	(139,463,186)		(139,463,186)
Business-Type Activity							
Food service	(4,749,181)	271,636	4,610,206	18,630	-	\$ 151,291	151,291
Total	<u>\$ (170,493,090)</u>	<u>\$ 698,043</u>	<u>\$ 30,464,522</u>	<u>\$ 18,630</u>	<u>(139,463,186)</u>	<u>151,291</u>	<u>(139,311,895)</u>
<b>General Revenues</b>							
Property taxes, levied for general purposes, net					113,262,104	-	113,262,104
Other taxes					18,978,245	-	18,978,245
Grants, subsidies and contributions not restricted					9,833,618	-	9,833,618
Investment earnings:							
Interest					576,767	-	576,767
Miscellaneous income					376,800	-	376,800
Loss on disposal of assets					(8,985)	-	(8,985)
Transfers (out) in					(59,750)	59,750	-
Total general revenues					<u>142,958,799</u>	<u>59,750</u>	<u>143,018,549</u>
Changes in net position					<u>3,495,613</u>	<u>211,041</u>	<u>3,706,654</u>
Net Deficit, Beginning					(64,867,494)	(4,332,176)	(69,199,670)
Restatement for Adoption of GASB Statement No. 84					<u>528,063</u>	<u>-</u>	<u>528,063</u>
Net Deficit, Beginning, As Restated					<u>(64,339,431)</u>	<u>(4,332,176)</u>	<u>(68,671,607)</u>
Net Deficit, Ending					<u>\$ (60,843,818)</u>	<u>\$ (4,121,135)</u>	<u>\$ (64,964,953)</u>

See notes to financial statements



**State College Area School District**

## Balance Sheet - Governmental Funds

June 30, 2021

	<b>Major Funds</b>		<b>Nonmajor Funds</b>	
	<b>General</b>	<b>Capital Reserve</b>		<b>Total</b>
<b>Assets</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 57,402,514	\$ -	\$ 515,538	\$ 57,918,052
Restricted cash and cash equivalents	-	59,832,977	5,058,405	64,891,382
Taxes receivable, net	2,433,817	-	-	2,433,817
Due from other funds	167,427	-	2,683,168	2,850,595
Due from other governments	9,856,128	-	-	9,856,128
Other receivables	50,688	-	-	50,688
Inventories	1,827,163	-	-	1,827,163
Other current assets	30,471	-	-	30,471
<b>Total</b>	<b>\$ 71,768,208</b>	<b>\$ 59,832,977</b>	<b>\$ 8,257,111</b>	<b>\$ 139,858,296</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Due to other funds	\$ 2,683,170	\$ -	\$ 35,262	\$ 2,718,432
Accounts payable	2,145,536	-	80,740	2,226,276
Accrued salaries and benefits	15,901,950	-	-	15,901,950
Payroll deductions and withholdings	8,619,494	-	-	8,619,494
Unearned revenue	221,590	-	-	221,590
Other liabilities	175,626	-	-	175,626
<b>Total liabilities</b>	<b>29,747,366</b>	<b>-</b>	<b>116,002</b>	<b>29,863,368</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues, taxes	732,654	-	-	732,654
<b>Fund Balances</b>				
Nonspendable	1,827,163	-	-	1,827,163
Restricted	-	59,832,977	8,141,109	67,974,086
Committed	27,113,014	-	-	27,113,014
Assigned	83,127	-	-	83,127
Unassigned	12,264,884	-	-	12,264,884
<b>Total fund balances</b>	<b>41,288,188</b>	<b>59,832,977</b>	<b>8,141,109</b>	<b>109,262,274</b>
<b>Total</b>	<b>\$ 71,768,208</b>	<b>\$ 59,832,977</b>	<b>\$ 8,257,111</b>	<b>\$ 139,858,296</b>

See notes to financial statements

## State College Area School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Deficit  
June 30, 2021

<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 109,262,274</b>
Amounts reported for governmental activities in the statement of net deficit are different because:	
Capital assets used in governmental activities are long-term financial resources, and therefore, are not reported as assets in government funds. The cost of assets is \$387,820,713 and the accumulated depreciation is \$105,190,875.	282,629,838
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.	732,654
Inventory of books and supplies was reclassified to capital assets.	(1,827,163)
Internal service fund is used by the District to charge the costs of printing services to individual funds. The assets and liabilities of the internal service fund, with the exception of capital assets and pension and OPEB related assets and liabilities which are included elsewhere in this reconciliation, are reported with governmental activities.	(132,650)
Deferred outflows related to net OPEB liability are not reported in the governmental funds, however, are reported in the statement of net deficit.	2,471,096
Deferred inflows related to net OPEB liability are not reported in the governmental funds, however are reported in the statement of net deficit.	(895,625)
Deferred outflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net deficit.	39,503,984
Deferred inflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net deficit.	(5,829,270)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	(224,608,280)
Deferred amounts on refunding	864,009
Accrued interest on long-term debt	(1,623,456)
Net OPEB liability	(16,259,905)
Net pension liability	(243,225,550)
Compensated absences	(1,905,774)
<b>Total Net Deficit, Governmental Activities</b>	<b><u><u>\$ (60,843,818)</u></u></b>

**State College Area School District**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2021

	<b>Major Funds</b>		<b>Nonmajor Funds</b>	<b>Total</b>
	<b>General</b>	<b>Capital Reserve</b>		
<b>Revenues</b>				
Local sources	\$ 133,927,008	\$ 224,856	\$ 334,416	\$ 134,486,280
State sources	29,871,140	-	-	29,871,140
Federal sources	5,067,965	-	-	5,067,965
Total revenues	168,866,113	224,856	334,416	169,425,385
<b>Expenditures</b>				
Instruction	91,642,799	-	-	91,642,799
Support services	47,076,465	-	121,099	47,197,564
Noninstructional services	2,102,459	-	187,122	2,289,581
Facilities acquisition, construction and improvement services	17,927	-	2,742,848	2,760,775
Debt service	-	4,848,525	12,341,947	17,190,472
Total expenditures	140,839,650	4,848,525	15,393,016	161,081,191
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	28,026,463	(4,623,669)	(15,058,600)	8,344,194
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	13,726,785	13,726,785
Proceeds from refunding bonds	-	-	5,975,000	5,975,000
Refunded bonds	-	-	(6,288,993)	(6,288,993)
Bond premium	-	-	437,614	437,614
Refund of prior year receipts	(233,714)	-	-	(233,714)
Transfer out	(13,786,535)	-	-	(13,786,535)
Total other financing (uses) sources	(14,020,249)	-	13,850,406	(169,843)
Changes in fund balances	14,006,214	(4,623,669)	(1,208,194)	8,174,351
<b>Fund Balances, Beginning</b>	27,281,974	64,456,646	8,821,240	100,559,860
<b>Restatement for Adoption of GASB Statement No. 84</b>	-	-	528,063	528,063
<b>Fund Balances, Beginning, as Restated</b>	27,281,974	64,456,646	9,349,303	101,087,923
<b>Fund Balances, Ending</b>	<u>\$ 41,288,188</u>	<u>\$ 59,832,977</u>	<u>\$ 8,141,109</u>	<u>\$ 109,262,274</u>

See notes to financial statements

**State College Area School District**

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
Year Ended June 30, 2021

<b>Total Changes in Fund Balances - Governmental Funds</b>		<b>\$ 8,174,351</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Some property taxes will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.		(146,049)
Capital outlays are reported in governmental funds as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in this period:		
Depreciation expense	\$ (9,552,081)	
Disposal of capital assets	(8,985)	
Capital outlays	<u>3,808,559</u>	(5,752,507)
The change in inventory is recorded as an increase or decrease as expense in the governmental funds, but it is reclassified and accounted for through capital outlays and depreciation expense in the statement of activities.		28,325
The issuance of long term debt (bonds) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. This transaction, however, does not have an effect on net position. Also, governmental funds report the effect of premiums and discounts, and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Reconciling items related to long-term debt activity for the year ended June 30, 2021 are as follows:		
Issuance of long-term debt	\$ (5,975,000)	
Bond premiums	(437,614)	
Refunded debt	6,210,000	
Scheduled principal payments on long-term debt	<u>8,005,000</u>	7,802,386
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include amortization of bond premiums and deferred interest from advanced refunding bonds. The net additional interest accrued in the statement of activities over the amount due is shown here.		1,389,334
Internal service fund is used by the District to charge the costs of printing services to individual funds. The revenues and expenses of the internal service fund are reported with governmental activities.		(126,240)
Net OPEB liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported within the statement of net deficit, and changes in the liability is reflected within the statement of net deficit. This represents the change in OPEB liability and the deferred outflows and inflows related to the OPEB.		(312,450)
Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported within the statement of net deficit, and changes in the liability are reflected within the statement of net deficit. This represents the change in pension liability and the deferred outflows and inflows related to the pension.		(7,574,093)
In the statement of activities, certain operating expenses, compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.		<u>12,556</u>
<b>Changes in Net Deficit of Governmental Activities</b>		<b>\$ 3,495,613</b>

See notes to financial statements

**State College Area School District**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund  
Year Ended June 30, 2021

	<b>Budgeted Amount</b>			<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 126,651,998	\$ 126,661,998	\$ 133,927,008	\$ 7,265,010
State sources	30,024,555	30,104,370	29,871,140	(233,230)
Federal sources	1,766,137	2,016,848	5,067,965	3,051,117
Total revenues	158,442,690	158,783,216	168,866,113	10,082,897
<b>Expenditures</b>				
Instruction:				
Regular programs	64,340,528	64,646,432	65,407,591	(761,159)
Special programs	21,718,907	21,216,830	20,596,985	619,845
Vocational education programs	3,760,915	3,809,039	3,826,707	(17,668)
Other instructional programs	2,191,220	2,209,100	1,750,865	458,235
Adult education programs	5,470	7,960	7,960	-
Nonpublic school programs	11,682	47,790	52,691	(4,901)
Total instruction	92,028,722	91,937,151	91,642,799	294,352
Support services:				
Pupil personnel	5,640,803	5,636,207	5,516,990	119,217
Instructional staff	5,563,219	5,783,013	5,289,490	493,523
Administration	8,309,773	8,304,167	8,029,386	274,781
Pupil health	2,176,828	2,399,227	2,458,182	(58,955)
Business	1,545,270	1,530,335	1,460,721	69,614
Operation and maintenance of plant services	11,314,117	11,635,312	11,722,865	(87,553)
Student transportation services	6,545,244	6,653,644	6,205,446	448,198
Central	6,173,411	6,537,761	6,393,385	144,376
Total support services	47,268,665	48,479,666	47,076,465	1,403,201
Noninstructional services:				
Student activities	2,811,335	2,806,719	2,070,164	736,555
Community services	82,322	37,434	32,015	5,419
Scholarships and awards	10,000	10,000	280	9,720
Total noninstructional services	2,903,657	2,854,153	2,102,459	751,694
Facilities acquisition, construction and improvement services	-	17,926	17,927	(1)
Debt service	75,000	-	-	-
Total expenditures	142,276,044	143,288,896	140,839,650	2,449,246
Excess of revenues over expenditures before other financing sources (uses)	16,166,646	15,494,320	28,026,463	12,532,143
<b>Other Financing Sources (Uses)</b>				
Budgetary reserve	(919,022)	(12,982)	-	12,982
Refund of prior year receipts	-	(233,714)	(233,714)	-
Transfers out	(14,862,601)	(14,862,601)	(13,786,535)	1,076,066
Total other financing uses, net	(15,781,623)	(15,109,297)	(14,020,249)	1,089,048
Changes in fund balances	\$ 385,023	\$ 385,023	14,006,214	\$ 13,621,191
<b>Fund Balances, Beginning</b>			27,281,974	
<b>Fund Balances, Ending</b>			\$ 41,288,188	

See notes to financial statements

**State College Area School District**

## Statement of Net Deficit - Proprietary Funds

June 30, 2021

	<b>Food Service Fund</b>	<b>Internal Service Fund</b>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,355	\$ -
Due from other funds	602	27,607
Due from other governments	864,954	-
Other receivables	15,954	-
Inventories	85,863	15,500
Total current assets	980,728	43,107
<b>Noncurrent Assets</b>		
Equipment	1,186,852	295,882
Accumulated depreciation	(1,020,287)	(293,357)
Total noncurrent assets	166,565	2,525
<b>Deferred Outflows of Resources</b>		
OPEB	81,051	4,204
Pension	818,168	50,617
Total deferred outflows of resources	899,219	54,821
Total	<u>\$ 2,046,512</u>	<u>\$ 100,453</u>
<b>Liabilities, Deferred Inflows of Resources and Net Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,290	\$ 561
Accrued salaries and benefits	128,417	3,939
Due to other funds	6,565	153,807
Other liabilities	217,193	-
Unearned revenue	41,218	-
Total current liabilities	399,683	158,307
<b>Noncurrent Liabilities</b>		
Net pension liability	5,037,450	311,650
Net OPEB liability	514,742	27,718
Compensated absences	55,819	17,450
Total noncurrent liabilities	5,608,011	356,818
Total liabilities	6,007,694	515,125
<b>Deferred Inflows of Resources</b>		
OPEB	39,223	1,494
Pension	120,730	7,469
Total deferred inflows of resources	159,953	8,963
<b>Net Deficit</b>		
Net investment in capital assets	166,565	2,525
Unrestricted deficit	(4,287,700)	(426,160)
Total net deficit	(4,121,135)	(423,635)
Total	<u>\$ 2,046,512</u>	<u>\$ 100,453</u>

See notes to financial statements

**State College Area School District**

## Statement of Revenues, Expenses and Changes in Net Deficit - Proprietary Funds

Year Ended June 30, 2021

	<b>Food Service Fund</b>	<b>Internal Service Fund</b>
<b>Operating Revenues</b>		
Food service revenue	\$ 271,636	\$ -
Charges for services	-	293,057
Total operating revenues	271,636	293,057
<b>Operating Expenses</b>		
Salaries and employee benefits	2,791,971	55,170
Food, milk and supplies	1,896,065	58,593
Depreciation	29,332	1,683
Professional and technical services	5,319	98,750
Other purchased services	9,967	12,140
Purchased property services	10,115	99,309
Other objects	6,412	-
Total operating expenses	4,749,181	325,645
Operating loss	(4,477,545)	(32,588)
<b>Nonoperating Revenues</b>		
State sources	306,777	-
Federal sources	4,322,059	-
Total nonoperating revenues	4,628,836	-
Changes in net deficit before transfers	151,291	(32,588)
<b>Transfers In</b>	59,750	-
Changes in net deficit	211,041	(32,588)
<b>Net Deficit, Beginning</b>	(4,332,176)	(391,047)
<b>Net Deficit, Ending</b>	<u>\$ (4,121,135)</u>	<u>\$ (423,635)</u>

See notes to financial statements

**State College Area School District**

## Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2021

	<b>Food Service Fund</b>	<b>Internal Service Fund</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 223,022	\$ 292,596
Cash paid to employees	(2,374,541)	(149,188)
Cash paid to vendors	(1,931,553)	(143,408)
Net cash used in operating activities	(4,083,072)	-
<b>Cash Flows Used in Investing Activities</b>		
Purchase of equipment	(15,130)	-
<b>Cash Flows From Capital and Related Financing Activities</b>		
Federal sources, capital grants	18,630	-
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers in	59,750	-
State sources	283,180	-
Federal sources	3,739,204	-
Net cash provided by noncapital financing activities	4,082,134	-
Change in cash and cash equivalents	2,562	-
<b>Cash and Cash Equivalents, Beginning</b>	10,793	-
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 13,355</u>	<u>\$ -</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (4,477,545)	\$ (32,588)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	29,332	1,683
Pension changes	76,527	(88,478)
OPEB changes	212,576	(6,857)
Changes in assets and liabilities resulting in the provision (use) of cash:		
Inventories	4,449	1,975
Other receivables	(15,954)	-
Due to/from other funds	(12,572)	127,352
Accounts payable	(8,124)	(4,404)
Accrued salaries and benefits	121,100	3,939
Other liabilities	(20,088)	-
Compensated absences	7,227	(2,622)
Net cash used in operating activities	<u>\$ (4,083,072)</u>	<u>\$ -</u>
<b>Noncash Investing and Noncapital Financing Activities</b>		
USDA donated commodities	<u>\$ 377,082</u>	<u>\$ -</u>

See notes to financial statements



# State College Area School District

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Notes to Financial Statements

June 30, 2021

## 1. Nature of Operations and Summary of Significant Accounting Policies

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

### Nature of Operations

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

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

### Reporting Entity

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

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

### Basic Financial Statements, Government-Wide Statements

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

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

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

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

The District does not allocate indirect costs.

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

### **Basic Financial Statements, Fund Financial Statements**

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

The following fund types are used by the District:

#### **Governmental Funds**

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

##### **General Fund**

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

##### **Capital Reserve Fund**

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

##### **Capital Projects Fund**

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

##### **Debt Service Fund**

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

##### **Student Activity Fund**

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

### **Proprietary Funds**

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

#### **Food Service Fund**

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

#### **Internal Service Fund**

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

### **Measurement Focus**

#### **Government-Wide Financial Statements**

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

#### **Fund Financial Statements**

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

### **Basis of Accounting**

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

#### **Accrual Basis**

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

Inventories are valued on a first-in, first-out basis.

# State College Area School District

Notes to Financial Statements  
June 30, 2021

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## Modified Accrual Basis

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

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

## Budgets and Budgetary Accounting

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

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

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

## Capital Assets

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

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

The District does not have any infrastructure capital assets.

## Inventories

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

## Compensated Absences

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

## Governmental Fund Balances

The District classifies its governmental fund balances as follows:

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

## Restricted Net Position/Fund Balances

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

## Deferred Outflows/Inflows of Resources

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

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

## Pension

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

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

## Other Postemployment Benefits (OPEB)

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

## Use of Estimates

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

## New Accounting Pronouncements

In January 2017, the GASB issued statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments. The District determined its Student Activity Fund did not meet the criteria to continue to be classified as a fiduciary fund and it is now considered a governmental fund type. This standard was implemented July 1, 2020 and resulted in a restatement of the government-wide net position and the nonmajor fund's fund balance as of July 1, 2020 were restated with increases of \$528,063.

## 2. Cash and Cash Equivalents

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

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

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

### Deposits With Local Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. Custodial credit risk is addressed in the District's Policy Number 608, *Bank Accounts*. At June 30, 2021, \$113,706,002 of the District's bank deposits were exposed to custodial credit risk, as these deposits were not covered by depository insurance, but rather were collateralized with securities held by the pledging financial institution, but not in the District's name.

### Pennsylvania School District Liquid Asset Fund

The PSDLAF contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant owns shares of PSDLAF, which invests the pooled assets. Such assets are not considered deposits pursuant to GASB Nos. 3 and 40, and as such are not subject to custodial credit risk. At June 30, 2021, the carrying amount and bank balances of the District's investment in PSDLAF were \$9,833,319. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

## 3. Property Taxes

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

## State College Area School District

### Notes to Financial Statements

June 30, 2021

#### 4. Interfund Receivables, Payables and Transfers

At June 30, 2021, the following interfund balances were unpaid:

Amounts due from other funds:

General Fund	\$ 167,427
Capital Projects Fund	2,683,168
Food Service Fund	602
Internal Service Fund	27,607

Total	<u>\$ 2,878,804</u>
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Amounts due to other funds:

General Fund	\$ 2,683,170
Food Service Fund	6,565
Internal Service Fund	153,807
School Sponsored Activity Fund	35,262

Total	<u>\$ 2,878,804</u>
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Interfund balances primarily arise between the General Fund and other funds due to operating expenses and capital project related expenses paid out of the General Fund and reimbursed by the applicable fund on a monthly basis. The District determines the amount available to transfer to the Capital Reserve Fund at the end of each fiscal year from the General Fund.

The composition of interfund transfers used to move cash between funds at June 30, 2021 is as follows:

Transfers in:

Capital Projects Fund	\$ 1,384,838
Debt Service Fund	12,341,947
Food Service Fund	59,750

Total	<u>\$ 13,786,535</u>
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Transfers out:

General Fund	<u>\$ 13,786,535</u>
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The General Fund transferred \$1,384,838 to the Capital Projects Fund to cover current year building projects, \$12,341,947 to the Debt Service Fund to cover required debt service payments and \$59,750 to the Food Service Fund to cover a cash flow shortfall as of June 30, 2021.

#### 5. Due From Other Governments

The amount reported in the funds at June 30, 2021 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ 3,477,840	\$ 6,130,114	\$ 248,174	\$ 9,856,128
Food Service Fund	759,485	105,469	-	864,954
Total	<u>\$ 4,237,325</u>	<u>\$ 6,235,583</u>	<u>\$ 248,174</u>	<u>\$ 10,721,082</u>

Amounts due from the federal and state governments are primarily federal grants and state subsidies receivable from the Commonwealth of Pennsylvania, Department of Education at June 30, 2021. The amount due from local governments represents receivables earned by the District for special education, but not yet remitted to the District as of June 30, 2021.



# State College Area School District

## Notes to Financial Statements

June 30, 2021

### 6. Taxes Receivable, Net

A summary of the taxes receivable and related accounts at June 30, 2021 is as follows:

Delinquent real estate taxes receivable	\$ 1,184,674
Earned income taxes receivable	1,080,147
Real estate transfer tax receivable	422,794
Interim real estate tax	11,142
Local service	592
Total	2,699,349
Estimated uncollectible taxes at June 30, 2021	(265,532)
Total	<u>\$ 2,433,817</u>

### 7. Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance, July 1, 2020	Increases	Transfers/ Decreases	Balance, June 30, 2021
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,140,457	\$ -	\$ -	\$ 1,140,457
Construction in progress	19,606,590	2,737,606	(22,232,760)	111,436
Total capital assets, not being depreciated	20,747,047	2,737,606	(22,232,760)	1,251,893
Capital assets being depreciated:				
Buildings and improvements	309,184,874	-	21,086,086	330,270,960
Equipment and other capital assets	53,849,151	1,070,953	1,081,874	56,001,978
Equipment-internal service	295,882	-	-	295,882
Total capital assets, being depreciated	363,329,907	1,070,953	22,167,960	386,568,820
Accumulated depreciation for:				
Buildings and improvements	(54,893,691)	(7,638,111)	-	(62,531,802)
Equipment and other capital assets	(40,509,245)	(1,912,287)	55,815	(42,365,717)
Equipment, internal service	(291,673)	(1,683)	-	(293,356)
Total accumulated depreciation	(95,694,609)	(9,552,081)	55,815	(105,190,875)
Total capital assets being depreciated, net	267,635,298	(8,481,128)	22,223,775	281,377,945
Governmental activities capital assets, net	<u>\$ 288,382,345</u>	<u>\$ (5,743,522)</u>	<u>\$ (8,985)</u>	<u>\$ 282,629,838</u>
Business-type activity:				
Capital assets being depreciated,				
Equipment and other capital assets	\$ 1,171,722	\$ 15,130	\$ -	\$ 1,186,852
Accumulated depreciation for:				
Equipment and other capital assets	(990,955)	(29,332)	-	(1,020,287)
Business-type activity capital assets, net	<u>\$ 180,767</u>	<u>\$ (14,202)</u>	<u>\$ -</u>	<u>\$ 166,565</u>

## State College Area School District

Notes to Financial Statements  
June 30, 2021

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

Governmental activities:	
Unallocated	\$ 360,439
Instruction	1,085,335
Instructional support services	18,748
Administrative and financial support services	9,454
Operation and maintenance of plant services	<u>8,078,105</u>
Total depreciation expenses for governmental activities	<u>\$ 9,552,081</u>
Business-type activities:	
Food service	<u>\$ 29,332</u>

### 8. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$15,901,950 represent salaries of \$11,141,933, the District's share of Social Security taxes of \$852,358 for employees' services during the 2020-2021 school term, which are paid during July and August 2021 and retroactive payments in September and October 2021, and retirement plan expense of \$3,845,082 applicable to the accrued salaries at June 30, 2021 and accrued workers' compensation of \$62,577.

### 9. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2021 are as follows:

	Balance, July 1, 2020	Additions	Deductions	Balance, June 30, 2021	Amounts Due Within One Year
Bond Series, 2014A	\$ 480,000	\$ -	\$ 480,000	\$ -	\$ -
Bond Series, 2014B	5,730,000	-	5,730,000	-	-
Bond Series, 2015	67,575,000	-	2,110,000	65,465,000	2,215,000
Bond Series, 2015B	16,530,000	-	2,205,000	14,325,000	2,315,000
Bond Series, 2017	40,725,000	-	1,075,000	39,650,000	1,125,000
Bond Series, 2018	49,215,000	-	1,195,000	48,020,000	1,255,000
Bond Series, 2019A	21,330,000	-	445,000	20,885,000	475,000
Bond Series, 2019B	9,510,000	-	975,000	8,535,000	1,005,000
Bond Series, 2020	-	5,975,000	-	5,975,000	290,000
Total bonds payable	211,095,000	5,975,000	14,215,000	202,855,000	<u>\$ 8,680,000</u>
Bond premium	22,714,306	437,614	1,398,640	21,753,280	
Total long-term debt	<u>\$ 233,809,306</u>	<u>\$ 6,412,614</u>	<u>\$ 15,613,640</u>	<u>\$ 224,608,280</u>	

## State College Area School District

### Notes to Financial Statements

June 30, 2021

Long-term debt at June 30, 2021 consists of the following:

\$75,120,000 General Obligation Bonds, Series of 2015, due in varying annual installments beginning March 2017 through March 2040, interest rates of 3% to 5%	\$ 65,465,000
\$21,590,000 General Obligation Bonds, Series B of 2015, due in varying annual installments beginning May 2016 through May 2028, interest rates of 3% to 5%	14,325,000
\$43,840,000 General Obligation Bonds, Series of 2017, due in varying annual installments beginning May 2018 through May 2043, interest rates of 3% to 5%	39,650,000
\$51,285,000 General Obligation Bonds, Series of 2018, due in varying annual installments beginning May 2019 through November 2044, interest rates of 2% to 5%	48,020,000
\$21,330,000 General Obligation Bonds, Series A of 2019, due in varying annual installments beginning November 2020 through May 2044, interest rates of 4% to 5%	20,885,000
\$10,230,000 General Obligation Bonds, Series B of 2019, due in varying annual installments beginning November 2019 through November 2029, interest rate of 5%	8,535,000
\$5,975,000 General Obligation Bonds, Series of 2020, due in varying annual installments beginning March 2022 through March 2028, interest rate of 2% to 4%	5,975,000
Unamortized bond premium	<u>21,753,280</u>
Total	224,608,280
Current portion	<u>8,680,000</u>
Long-term debt	<u><u>\$ 215,928,280</u></u>

During the year ended June 30, 2021, the District issued \$5,975,000 in General Obligation Bonds, Series of 2020 and these proceeds were used to currently refund \$240,000 of the District's Series A of 2014 Bonds and \$5,730,000 of the District's Series B of 2014 Bonds. As a result of the current refunding, the District decreased its future debt service requirements by \$385,815 and provided an economic gain (difference between the present value of the debt service requirements on the old and new debt) of \$432,455.

## State College Area School District

### Notes to Financial Statements

June 30, 2021

Debt service requirements at June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2022	\$ 8,680,000	\$ 8,848,875	\$ 17,528,875
2023	8,990,000	8,483,425	17,473,425
2024	9,440,000	8,034,425	17,474,425
2025	9,915,000	7,561,825	17,476,825
2026	10,405,000	7,065,800	17,470,800
2027 - 2031	44,375,000	29,005,526	73,380,526
2032 - 2036	43,380,000	20,257,149	63,637,149
2037 - 2041	48,100,000	10,252,213	58,352,213
2042 - 2045	19,570,000	1,624,013	21,194,013
Total	<u>\$ 202,855,000</u>	<u>\$ 101,133,251</u>	<u>\$ 303,988,251</u>

## 10. Fund Balance Classifications

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

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable for inventories	\$ 1,827,163	\$ -	\$ -	\$ 1,827,163
Restricted for:				
Capital projects and debt service	\$ -	\$ 59,832,977	\$ 8,141,109	\$ 67,974,086
Assigned for:				
Career and Technology Center accounts	\$ 83,127	\$ -	\$ -	\$ 83,127
Committed for:				
Future COVID impacts	\$ 24,472,600	\$ -	\$ -	\$ 24,472,600
PSERS	2,640,414	-	-	2,640,414
Total committed	<u>\$ 27,113,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,113,014</u>

## 11. Transactions With Other LEAs

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

**12. Retirement Plan****Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2 percent or 2.5 percent, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 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 percent or 2.5 percent, 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.

**Member Contributions**

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.5 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.5 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

## State College Area School District

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### Notes to Financial Statements

June 30, 2021

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3 percent (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

#### **Act 5 of 2017**

Act 5 of 2017 created additional classes of service (Class T-G, T-H and DC) that reduce the defined benefit formula but add a defined contribution component to the employee benefit. These plans are effective for employees who join PSERS on or after July 1, 2019. Total member contributions between the two plans range from 7.5 percent to 8.25 percent, depending on the class selection. The employer contribution to the defined contribution plan ranges from 2.0 percent to 2.25 percent, with the balance of the contractually required PSERS contribution rate paid to the defined benefit plan. The defined contribution component of a PSERS retirement benefit will be based on the amount of contributions made by the member and the District and the investment performance on those contributions. Contributions have the potential to grow based on investment earnings but are not guaranteed against loss in declining investment markets.

#### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 33.51 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$23,045,152 for the year ended June 30, 2021.

#### **Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2021, the District reported a liability of \$248,263,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the PSERS net pension 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, 2021, the District's proportion was 0.5042 percent, which was an increase of 0.0048 percent from its proportion measured as of June 30, 2020.

## State College Area School District

### Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$30,549,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 649,000	\$ 5,950,000
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	10,910,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,718,000	-
District contributions subsequent to the measurement date	23,045,152	-
Total	<u>\$ 40,322,152</u>	<u>\$ 5,950,000</u>

\$23,045,152 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2022	\$ 2,324,000
2023	1,960,000
2024	3,802,000
2025	3,241,000
Total	<u>\$ 11,327,000</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the District's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.25 percent, includes inflation at 2.75 percent
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Mortality rates were 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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

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.

## State College Area School District

### Notes to Financial Statements

June 30, 2021

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0 %	5.2 %
Fixed income	36.0	1.1
Commodities	8.0	1.8
Absolute return	10.0	2.5
Risk parity	8.0	3.3
Infrastructure/MLPs	6.0	5.7
Real estate	10.0	5.5
Alternative investments	15.0	7.2
Cash	6.0	(1.0)
Financing (LIBOR)	(14.0)	(0.7)
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. 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 District's proportionate share of the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 307,154,000	\$ 248,263,000	\$ 198,374,000

### Pension Plan Fiduciary Net Position

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



# State College Area School District

## Notes to Financial Statements

June 30, 2021

### 13. Defined Contribution Plan

The District provides a 403(b) defined contribution plan for its employees, administered by the District. The plan is defined within the teachers' contract (State College Area Education Association); however, all employees are eligible to participate. With the exception of retiring teachers and certain contracted employees, only employees contribute to the plan. Upon retirement, the District must also contribute the teacher's accrued sick and retirement bonus to the 403(b) plan. In 2021, total District contributions (including retirement bonus and sick payouts) were \$1,243,102.

### 14. Nonmonetary Transactions

The District receives USDA donated commodities in the Food Service Fund. These donated commodities are valued at an estimated market value and recognized as federal revenue, with unused commodities recorded as inventory. The total food commodities donated by the federal government and used by the District for fiscal year 2021 totaled \$364,787.

### 15. Operating Leases

The District leased copiers for its schools, administrative offices and print shop under operating leases expiring at various dates through June 2024.

Rent expense for 2021 was approximately \$98,000. Future minimum rental payments required under these operating leases are as follows for the years ended June 30:

Years ending June 30:	
2022	\$ 98,261
2023	39,617
2024	39,617
	<hr/>
Total	\$ 177,495

### 16. Other Postemployment Benefits (OPEB)

#### State College Area School District Postemployment Benefits Plan

#### General Information About the OPEB Plan

##### Plan Description and Benefits Provided

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

## State College Area School District

### Notes to Financial Statements

June 30, 2021

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

#### Employees Covered by Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	51
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,228</u>
Total	<u><u>1,279</u></u>

#### Total OPEB Liability

The District's total OPEB liability as of June 30, 2021 was \$5,865,647, which was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	1.86 percent
Salary increases	2.5 percent cost of living adjustment, 1 percent real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 percent to 0 percent
Healthcare cost trend rates	5.5 percent in 2020 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 4.0 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term rate caps

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.

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

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study (census information) as of January 2021.

## State College Area School District

### Notes to Financial Statements

June 30, 2021

#### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balance, July 1, 2020	<u>\$ 5,483,436</u>
Changes for the year:	
Service cost	390,575
Interest	193,099
Differences between expected and actual experience	(610,198)
Changes in assumptions or other inputs	643,219
Benefit payments	<u>(234,484)</u>
Net changes	<u>382,211</u>
Balance, June 30, 2021	<u><u>\$ 5,865,647</u></u>

Changes in assumptions or other inputs reflect a change in the discount rate from 3.36 percent in 2019 to 1.86 percent in 2020.

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.86 percent) or 1-percentage-point higher (2.86 percent) than the current discount rate:

	<b>1% Decrease (0.86%)</b>	<b>Discount Rate (1.86%)</b>	<b>1% Increase (2.86%)</b>
Total OPEB Liability	\$ 6,298,711	\$ 5,865,647	\$ 5,451,567

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 5,176,856	\$ 5,865,647	\$ 6,683,552

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$600,182. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 794,876	\$ 132,588
District contributions subsequent to the measurement date	171,026	-
Differences between expected and actual experience	22,336	563,260
	<u>\$ 988,238</u>	<u>\$ 695,848</u>

## State College Area School District

Notes to Financial Statements  
June 30, 2021

The \$171,026 of District contributions will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:		
2022	\$	16,508
2023		16,508
2024		16,508
2025		16,508
2026		16,508
Thereafter		<u>38,824</u>
Total	\$	<u>121,364</u>

### **PSERS Health Insurance Premium Assistance Program**

#### **General Information About the PSERS Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance which is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

#### **Premium Assistance Eligibility Criteria**

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

#### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$560,909 for the year ended June 30, 2021.

## State College Area School District

### Notes to Financial Statements

June 30, 2021

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

At June 30, 2021, the District reported a liability of \$10,909,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2021, the District's proportion was .5049 percent, which was an increase of .0055 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$655,000.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 445,000	\$ 239,000
District contributions subsequent to the measurement date	560,909	-
Changes in proportion	439,000	-
Difference between expected and actual experience	100,000	-
Net difference between projected and actual investment earnings	19,000	-
	<u>\$ 1,563,909</u>	<u>\$ 239,000</u>

\$560,909 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:

2022	\$ 138,000
2023	136,000
2024	133,000
2025	193,000
2026	112,000
Thereafter	<u>52,000</u>
Total	<u>\$ 764,000</u>

### Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the PSERS' Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 2.66 percent - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent 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 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
- Participation rate:

Eligible retirees will elect to participate Pre age 65 at 50 percent

Eligible retirees will elect to participate Post age 65 at 70 percent

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020
- 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: 63 percent of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits).

## State College Area School District

### Notes to Financial Statements

June 30, 2021

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

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3 %	(1.0) %
U.S. core fixed income	46.5	(0.1)
Non U.S. developed fixed income	3.2	(0.1)
	<u>100 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### Discount Rate

The discount rate used to measure the total OPEB Liability was 2.66 percent. 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 2.66 percent which represents the S&P 20 Year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents PSERS' net OPEB liability for June 30, 2020 calculated using current healthcare cost trends as well as what PSERS' net OPEB liability would be if its health cost trends were 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Trends Cost	1% Increase
PSERS Net OPEB Liability	\$ 10,908,000	\$ 10,909,000	\$ 10,910,000

## State College Area School District

Notes to Financial Statements

June 30, 2021

### 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 2.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66 percent) or 1-percentage-point higher (3.66 percent) than the current rate:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
District's proportionate share of the net OPEB liability	\$ 12,438,000	\$ 10,909,000	\$ 9,643,000

### OPEB Plan Fiduciary Net Position

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

## 17. Pending Changes in Accounting Principles

The GASB has approved the following:

Statement No. 87, *Leases*

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Statement No. 96, *Subscription-Based Information Technology Arrangements*

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

Statement No. 98, *The Annual Comprehensive Financial Report*

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



**State College Area School District**

Schedule of the District's Proportionate Share of the PSERS Net Pension Liability (Unaudited)  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.5042%	0.4994%	0.4914%	0.4780%	0.4720%	0.4547%	0.4533%	0.4561%
District's proportionate share of the net pension liability	\$ 248,263,000	\$ 233,632,000	\$ 235,896,000	\$ 236,077,000	\$ 233,948,000	\$ 197,020,000	\$ 179,419,000	\$ 186,710,000
District's covered-employee payroll	\$ 70,863,185	\$ 68,875,231	\$ 66,177,871	\$ 63,641,184	\$ 61,126,703	\$ 58,505,811	\$ 57,843,267	\$ 58,535,370
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.3%	339.2%	356.5%	371.0%	382.7%	336.8%	310.2%	319.0%
PSERS Plan fiduciary net position as a percentage of the PSERS total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note: Data is not available for years prior to June 30, 2014

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

**State College Area School District**

Schedule of District's PSERS Pension Contributions (Unaudited)

Year Ended June 30, 2021

	Last 10 Fiscal Years									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 23,045,152	\$ 23,724,772	\$ 22,512,929	\$ 17,424,223	\$ 14,234,693	\$ 12,097,807	\$ 9,336,223	\$ 6,738,537	\$ 4,386,801	\$ 2,936,351
Contributions in relation to the contractually required contribution	(23,045,152)	(23,724,772)	(22,512,929)	(17,424,223)	(14,234,693)	(12,097,807)	(9,336,223)	(6,738,537)	(4,386,801)	(2,936,351)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 68,379,743	\$ 70,845,762	\$ 68,877,803	\$ 66,167,204	\$ 63,707,630	\$ 61,149,967	\$ 58,513,294	\$ 57,842,220	\$ 58,446,615	\$ 57,671,589
Contributions as a percentage of covered-employee payroll	33.70%	33.49%	32.69%	26.33%	22.34%	19.78%	15.96%	11.65%	7.51%	5.09%

**State College Area School District**

Schedule of the District's Proportionate Share of the PSERS Net OPEB Liability (Unaudited)  
Year Ended June 30, 2021

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.5049%	0.4994%	0.4914%	0.4780%	0.4720%
District's proportionate share of the net OPEB liability	\$ 10,909,000	\$ 10,621,000	\$ 10,245,000	\$ 9,741,000	\$ 10,167,000
District's covered-employee payroll	\$ 70,863,185	\$ 68,875,231	\$ 66,177,871	\$ 63,641,184	\$ 61,126,703
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.4%	15.4%	15.5%	15.3%	16.6%
PSERS Plan fiduciary net position as a percentage of the PSERS total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

**State College Area School District**

Schedule of District's PSERS OPEB Contributions (Unaudited)

Year Ended June 30, 2021

	Last 10 Fiscal Years									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 560,909	\$ 595,779	\$ 573,182	\$ 538,893	\$ 440,248	\$ 504,075	\$ 491,380	\$ 507,202	\$ 381,461	\$ 601,421
Contributions in relation to the contractually required contribution	(560,909)	(595,779)	(573,182)	(538,893)	(440,248)	(504,075)	(491,380)	(507,202)	(381,461)	(601,421)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 68,379,743	\$ 70,845,762	\$ 68,877,803	\$ 66,167,204	\$ 63,707,630	\$ 61,149,967	\$ 58,513,294	\$ 57,842,220	\$ 58,446,615	\$ 57,671,589
Contributions as a percentage of covered-employee payroll	0.82%	0.84%	0.83%	0.81%	0.69%	0.82%	0.84%	0.88%	0.65%	1.04%

**State College Area School District**

## Required Supplementary Information

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

Year Ended June 30, 2021

(Unaudited)

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 390,575	\$ 390,226	\$ 349,168	\$ 333,833
Interest cost	193,099	166,522	161,483	115,773
Differences between expected and actual experience	(610,198)	-	29,035	-
Changes of assumptions	643,219	(156,696)	70,364	220,514
Benefit payments, including refunds of member contributions	(234,484)	(249,595)	(190,066)	(158,873)
Net change in total OPEB liability	382,211	150,457	419,984	511,247
<b>Total OPEB Liability, Beginning</b>	<u>5,483,436</u>	<u>5,332,979</u>	<u>4,912,995</u>	<u>4,401,748</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 5,865,647</u>	<u>\$ 5,483,436</u>	<u>\$ 5,332,979</u>	<u>\$ 4,912,995</u>
<b>Covered-Employee Payroll</b>	<u>\$ 64,609,712</u>	<u>\$ 65,136,517</u>	<u>\$ 65,136,517</u>	<u>\$ 59,749,056</u>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<u>9.08%</u>	<u>8.42%</u>	<u>8.19%</u>	<u>8.22%</u>

The District implemented GASB Statement No. 75 during its year ended June 30, 2018.  
Information prior to 2018 year is not available.

**Independent Auditors' 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 of  
State College Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of State College Area School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2021. Our report disclosed an emphasis of matter paragraph as more fully discussed in Note 1 to the financial statements, to address the District's adoption of a new accounting standard. Our opinions were not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 instance required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

*Baker Tilly US, LLP*

State College, Pennsylvania  
December 8, 2021

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

To the Board of School Directors of  
State College Area School District

**Report on Compliance for Each Major Federal Program**

We have audited State College Area School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of This Report

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.

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

State College, Pennsylvania  
December 8, 2021

## State College Area School District

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund  
Year Ended June 30, 2021

### Revenues

#### Local sources:

##### Current taxation:

Real estate	\$ 107,475,543
Earned income tax	18,662,696
Local service tax	315,549
Real estate transfers	3,542,448
Payments in lieu of taxes	613,671
Public utility realty tax	122,788

Total current taxation 130,732,695

Delinquent taxation 1,653,703

Total from taxation 132,386,398

Earnings from temporary investments and deposits 150,577

Receipts from other LEA's 27,035

Tuition 352,567

IDEA 733,829

Miscellaneous revenue 276,602

Total local sources 133,927,008

#### State sources:

Basic instructional subsidy 8,406,907

Private placement tuition 100,126

Vocational education 218,773

Special education 3,358,713

Transportation 812,080

Rental and sinking fund payments 250,398

Medical and dental services 138,232

Property tax reduction 1,426,711

Extra grants 6,675

Social Security subsidy 2,707,175

Retirement subsidy 11,994,489

Other state grants 450,861

Total state sources 29,871,140

#### Federal sources:

Title I 708,108

Title II A 145,873

Secondary Allocation 67,343

Title III 24,246

Title IV 65,939

Education Stabilization Funds 3,267,846

Coronavirus Relief Fund 72,965

PCCD School Safety 343,518

Medical Assistance 9,553

ACCESS 362,574

Total federal sources 5,067,965

Total revenues 168,866,113

## State College Area School District

### Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund Year Ended June 30, 2021

#### Expenditures

##### Instruction:

Regular programs	\$ 65,407,591
Special programs	20,596,985
Vocational education programs	3,826,707
Other instructional programs	1,750,865
Adult education programs	7,960
Nonpublic school programs	52,691

Total instruction	91,642,799
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##### Support services:

Pupil personnel	5,516,990
Instructional staff	5,289,490
Administration	8,029,386
Pupil health	2,458,182
Business	1,460,721
Operation and maintenance of plant services	11,722,865
Student transportation services	6,205,446
Central	6,393,385

Total support services	47,076,465
------------------------	------------

##### Noninstructional services:

Student activities	2,070,164
Community services	32,295

Total noninstructional services	2,102,459
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Facilities acquisition, construction and improvement services	17,927
---	--------

Total expenditures	140,839,650
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Excess of revenues over expenditures before other before other financing sources (uses)	28,026,463
--	------------

#### Other Financing Sources (Uses)

Refund of prior year receipts	(233,714)
Transfers out	(13,786,535)

Total other financing uses, net	(14,020,249)
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Change in fund balances	14,006,214
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Fund Balance, Beginning	27,281,974
-------------------------	------------

Fund Balance, Ending	\$ 41,288,188
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**State College Area School District**

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2021

	<b>Capital Projects</b>	<b>Student Activity</b>	<b>Total</b>
<b>Assets</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 515,538	\$ 515,538
Restricted cash and cash equivalents	5,058,405	-	5,058,405
Due from other funds	2,683,168	-	2,683,168
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 7,741,573</u>	<u>\$ 515,538</u>	<u>\$ 8,257,111</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 35,262	\$ 35,262
Accounts payable	74,487	6,253	80,740
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	74,487	41,515	116,002
<b>Fund Balances</b>			
Restricted	<u>7,667,086</u>	<u>474,023</u>	<u>8,141,109</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 7,741,573</u>	<u>\$ 515,538</u>	<u>\$ 8,257,111</u>

**State College Area School District**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2021

	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Student Activity</b>	<b>Total</b>
<b>Revenues</b>				
Local sources	\$ 201,334	\$ -	\$ 133,082	\$ 334,416
<b>Expenditures</b>				
Support services	121,099	-	-	121,099
Noninstructional services	-	-	187,122	187,122
Facilities acquisition, construction and improvement services	2,742,848	-	-	2,742,848
Debt service	-	12,341,947	-	12,341,947
Total expenditures	2,863,947	12,341,947	187,122	15,393,016
Deficiency of revenues over expenditures before other financing sources (uses)	(2,662,613)	(12,341,947)	(54,040)	(15,058,600)
<b>Other Financing Sources (Uses)</b>				
Transfer in	1,384,838	12,341,947	-	13,726,785
Proceeds from refunding bonds	5,975,000	-	-	5,975,000
Refunded bonds	(6,288,993)	-	-	(6,288,993)
Bond premium	437,614	-	-	437,614
Total other financing sources	1,508,459	12,341,947	-	13,850,406
Changes in fund balances	(1,154,154)	-	(54,040)	(1,208,194)
<b>Fund Balances, Beginning</b>	8,821,240	-	-	8,821,240
<b>Restatement for Adoption of GASB Statement No. 84</b>	-	-	528,063	528,063
<b>Fund Balances, Beginning, as Restated</b>	8,821,240	-	528,063	9,349,303
<b>Fund Balances, Ending</b>	<u>\$ 7,667,086</u>	<u>\$ -</u>	<u>\$ 474,023</u>	<u>\$ 8,141,109</u>

**State College Area School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Passed Through Grantor's Number	Grant Period Code	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Expenditures to Subrecipients
<b>U.S. Department of Education</b>											
Passed through the PA Department of Education:											
Title I, Part A:											
Title I Grants to Local Educational Agencies	I	84.010	013-190418	A	\$ 765,944	\$ -	\$ (4,242)	\$ 4,242	\$ 4,242	\$ -	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-210418	C	694,758	551,969	-	671,356	671,356	119,387	-
Title I Grants to Local Educational Agencies	I	84.010	013-200418	B	749,932	149,970	117,460	32,510	32,510	-	-
Total Title I, Part A						701,939	113,218	708,108	708,108	119,387	-
Career and Technical Education - Basic Grants to States	I	84.048	380-210007	C	67,343	67,343	-	67,343	67,343	-	-
Career and Technical Education - Basic Grants to States	I	84.048	380-200064	B	74,168	18,542	18,542	-	-	-	-
Total Career and Technical Education - Basic Grants to States						85,885	18,542	67,343	67,343	-	-
English Language Acquisition State Grants	I	84.365	010-190418	A	55,211	11,042	(1,004)	12,046	12,046	-	-
English Language Acquisition State Grants	I	84.365	010-210418	C	42,771	11,406	-	8,930	8,930	(2,476)	-
English Language Acquisition State Grants	I	84.365	010-200418	B	45,572	3,039	(8,947)	3,270	3,270	(8,716)	-
Total English Language Acquisition State Grants						25,487	(9,951)	24,246	24,246	(11,192)	-
Supporting Effective Instruction State Grants	I	84.367	020-190418	A	167,002	-	(5,197)	5,197	5,197	-	-
Supporting Effective Instruction State Grants	I	84.367	020-200418	B	166,804	33,913	26,346	714	714	(6,853)	-
Supporting Effective Instruction State Grants	I	84.367	020-210418	C	149,740	107,763	-	139,962	139,962	32,199	-
Total Improving Teacher Quality State Grants						141,676	21,149	145,873	145,873	25,346	-
Student Support and Academic Enrichment Program	I	84.424	144-190418	A	56,212	-	(1,329)	1,329	1,329	-	-
Student Support and Academic Enrichment Program	I	84.424	144-200418	B	57,783	19,261	(5,130)	23,308	23,308	(1,083)	-
Student Support and Academic Enrichment Program	I	84.424	144-210418	C	57,528	38,352	-	41,302	41,302	2,950	-
Total Student Support and Academic Enrichment Program						57,613	(6,459)	65,939	65,939	1,867	-
Education Stabilization Funds											
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	I	84.425C	252-200418	C	28,697	7,552	-	17,141	17,141	9,589	-
COVID-19 - American Rescue Plan - Elementary And Secondary School Emergency Relief Fund	I	84.425U	223-210418	C	5,250,729	-	-	424,121	424,121	424,121	-
COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund	I	84.425D	200-210418	C	2,595,887	-	-	2,595,887	2,595,887	2,595,887	-
COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund	I	84.425D	200-200418	B	623,032	623,032	597,581	25,451	25,451	-	-
Passed through Pennsylvania Commission on Crime and Delinquency: COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund	I	84.425D	35302	C	205,260	204,673	-	205,246	205,246	573	-
Total Education Stabilization Funds						835,257	597,581	3,267,846	3,267,846	3,030,170	-
Total PA Department of Education						1,847,857	734,080	4,279,355	4,279,355	3,165,578	-

See notes to schedule of expenditures of federal awards

**State College Area School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Passed Through Grantor's Number	Grant Period Code	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Expenditures to Subrecipients
Passed through Central Intermediate Unit #10:											
Special Education Cluster (IDEA):											
Special Education - Grants to States	I	84.027	062-20-0-010	B	\$ 758,669	\$ 758,669	\$ 758,669	\$ -	\$ -	\$ -	\$ -
Special Education - Grants to States	I	84.027	062-21-0-010	C	820,064	479,656	-	727,830	727,830	248,174	-
Special Education Preschool Grants	I	84.173	131-21-0-010	C	6,000	6,000	-	6,000	6,000	-	-
Passed through Intermediate Unit #13:											
Special Education - Grants to States	I	84.027	062-21-0-000	C	10,000	10,000	-	10,000	10,000	-	-
Total Special Education Cluster (IDEA)						1,254,325	758,669	743,830	743,830	248,174	-
Total U.S. Department of Education						3,102,182	1,492,749	5,023,185	5,023,185	3,413,752	-
<b>U.S. Department of Treasury</b>											
COVID-19 - Coronavirus Relief Fund	I	21.019	n/a	C	72,965	72,965	-	72,965	72,965	-	-
Passed through Pennsylvania Commission on Crime and Delinquency:											
COVID-19 - Coronavirus Relief Fund	I	21.019	33377	B	391,854	391,854	48,336	343,518	343,518	-	-
Total Coronavirus Relief Fund						464,819	48,336	416,483	416,483	-	-
<b>U.S. Department of Health and Human Services, Medicaid Cluster</b>											
Passed through PA Department of Health and Human Services:											
COVID-19 - Medical Assistance (ACCESS), Medicaid Cluster	I	93.778	044-007418	C	9,024	9,024	4,993	9,553	9,553	5,522	-
<b>U.S. Department of Agriculture</b>											
Child Nutrition Discretionary Grants	I	10.579	n/a	C	18,630	-	-	18,630	18,630	18,630	-
<b>Child Nutrition Cluster:</b>											
Passed through PA Department of Education:											
COVID-19 - National School Lunch Program	I (F)	10.555	362-0000	C	NOTE 5	12,881	-	12,881	12,881	-	-
COVID-19 - School Breakfast Program	I (F)	10.553	365-0000	C	NOTE 5	2,076	-	2,076	2,076	-	-
COVID-19 - Summer Food Service Program for Children	I (F)	10.559	264-0000	C	NOTE 5	3,182,829	-	3,923,685	3,923,685	740,856	-
COVID-19 - National School Lunch Program	I (F)	10.555	264-0000	B	NOTE 5	182,966	182,966	-	-	-	-
Passed through the PA Department of Agriculture,											
COVID-19 - National School Lunch Program	I	10.555	110-14-800-2	B	NOTE 5	377,082	(28,923)	364,787	364,787	(41,218)	-
Total Child Nutrition Cluster						3,757,834	154,043	4,303,429	4,303,429	699,638	-
Total U.S. Department of Agriculture						3,757,834	154,043	4,322,059	4,322,059	718,268	-
Total						\$ 7,333,859	\$ 1,700,121	\$ 9,771,280	\$ 9,771,280	\$ 4,137,542	\$ -

See notes to schedule of expenditures of federal awards

# State College Area School District

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

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## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal award activity of the State College Area School District (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position (deficit) or cash flows of the District.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting for the Child Nutrition Cluster and the modified accrual basis of accounting for all remaining programs. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs, primarily those involving governmental activities (i.e., General Fund), are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs, including those involving business-type activities (i.e., Food Service Fund), are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

## 3. Access Reimbursements

Access reimbursements for direct medical services are classified as fee-for-service revenues and are not considered federal awards. The General Fund federal revenues include \$362,573 of ACCESS reimbursements for direct medical services.

## 4. Relationship to Federal Financial Reports

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

## 5. National School Lunch Program

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



## **State College Area School District**

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

### **6. Source Codes and Grant Period Codes**

Source codes used in the Schedule are as follows:

I = Indirect funding

F = Federal share

Grant period codes used in the Schedule are as follows:

A = 07/01/18 - 06/30/19

B = 07/01/19 - 06/30/20

C = 07/01/20 - 06/30/21

### **7. Indirect Cost Rate**

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

# State College Area School District

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021

## Section I - Summary of Auditors' Results

### Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

### Federal Awards

Internal control over major federal program:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes   X   none reported

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

Unmodified

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

\_\_\_\_\_ yes   X   no

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559 21.019 84.425	Child Nutrition Cluster Coronavirus Relief Fund Education Stabilization Funds

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

\$750,000

Auditee qualified as low-risk auditee?

  X   yes \_\_\_\_\_ no

## Section II - Financial Statement Findings

None.

## Section III - Federal Award Findings and Questioned Costs

None.

## Section IV - Summary Schedule of Prior Year Audit Findings

There were no findings related to the financial statement audit or major federal award programs noted in the June 30, 2020 Single Audit.