

State College Area School District

Financial Statements and
Supplementary Information

June 30, 2022

State College Area School District

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Independent Auditors' Report

To the Board of Directors of
State College Area School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the State College Area School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

GAAP requires that the management's discussion and analysis and the other required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 57-58), the Combining Balance Sheet - Nonmajor Governmental Funds on page 59, the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds on page 60 and the schedule of expenditures of federal awards (pages 61-62), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by GAS

In accordance with GAS, we have also issued our report dated December 14, 2022 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 GAS in considering the District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

State College, Pennsylvania
December 14, 2022

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2022

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, 2022. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The 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, 2022

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 Position
June 30, 2022 and 2021

	Condensed Statements of Net Position					
	Governmental Activities		Business-Type Activity		Total	
	2022	2021	2022	2021	2022	2021
Assets and Deferred Outflows of Resources						
Current and other assets	\$ 87,169,958	\$ 70,310,619	\$ 2,521,868	\$ 974,163	\$ 89,691,826	\$ 71,284,782
Noncurrent assets	333,979,873	347,521,220	206,542	166,565	334,186,415	347,687,785
Deferred outflows of resources	40,136,734	42,839,089	816,998	899,219	40,953,732	43,738,308
Total	\$ 461,286,565	\$ 460,670,928	\$ 3,545,408	\$ 2,039,947	\$ 464,831,973	\$ 462,710,875
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 28,451,995	\$ 28,772,892	\$ 338,934	\$ 393,118	\$ 28,790,929	\$ 29,166,010
Long-term liabilities:						
Due within one year	9,028,561	8,680,000	-	-	9,028,561	8,680,000
Due after one year	418,500,988	477,336,959	4,467,508	5,608,011	422,968,496	482,944,970
Total liabilities	455,981,544	514,789,851	4,806,442	6,001,129	460,787,986	520,790,980
Deferred inflows of resources	42,626,349	6,724,895	878,957	159,953	43,505,306	6,884,848
Net position:						
Net investment in capital assets	64,958,253	63,005,476	206,542	166,565	65,164,795	63,172,041
Restricted (for capital projects and debt service)	62,086,124	59,832,977	-	-	62,086,124	59,832,977
Unrestricted	(164,365,705)	(183,682,271)	(2,346,533)	(4,287,700)	(166,712,238)	(187,969,971)
Total net position (deficit)	(37,321,328)	(60,843,818)	(2,139,991)	(4,121,135)	(39,461,319)	(64,964,953)
Total	\$ 461,286,565	\$ 460,670,928	\$ 3,545,408	\$ 2,039,947	\$ 464,831,973	\$ 462,710,875

State College Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Condensed Statements of Activities For the Years Ended June 30, 2022 and 2021

Condensed Statements of Activities						
	Governmental Activities		Business-Type Activity		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,088,405	\$ 426,407	\$ 801,375	\$ 271,636	\$ 1,889,780	\$ 698,043
Operating grants and contributions	29,639,078	25,854,316	6,053,387	4,610,206	35,692,465	30,464,522
Capital grants	-	-	-	18,630	-	18,630
General revenues:						
Taxes levied, net	135,866,269	132,240,349	-	-	135,866,269	132,240,349
Grants, subsidies and contributions not restricted	10,461,432	9,833,618	-	-	10,461,432	9,833,618
Other	1,194,208	953,567	-	-	1,194,208	953,567
Total revenues	178,249,392	169,308,257	6,854,762	4,900,472	185,104,154	174,208,729
Program Expenses:						
Instruction	88,685,500	98,265,081	-	-	88,685,500	98,265,081
Instructional student support	12,871,536	13,623,238	-	-	12,871,536	13,623,238
Administration and financial support services	16,552,932	17,067,788	-	-	16,552,932	17,067,788
Operation and maintenance of plant services	19,754,096	19,616,921	-	-	19,754,096	19,616,921
Pupil transportation	6,450,242	6,408,604	-	-	6,450,242	6,408,604
Student activities	2,547,551	2,453,786	-	-	2,547,551	2,453,786
Community services	77,638	32,295	-	-	77,638	32,295
Interest on long-term debt	7,429,335	7,915,757	-	-	7,429,335	7,915,757
Unallocated depreciation	358,072	360,439	-	-	358,072	360,439
Loss on disposal of capital assets	-	8,985	5,641	-	5,641	8,985
Transfers out (in)	-	59,750	-	(59,750)	-	-
Food service	-	-	4,867,977	4,749,181	4,867,977	4,749,181
Total program expenses	154,726,902	165,812,644	4,873,618	4,689,431	159,600,520	170,502,075
Change in net position	23,522,490	3,495,613	1,981,144	211,041	25,503,634	3,706,654
Net Deficit, Beginning	(60,843,818)	(64,339,431)	(4,121,135)	(4,332,176)	(64,964,953)	(68,671,607)
Net Position, Ending	\$ (37,321,328)	\$ (60,843,818)	\$ (2,139,991)	\$ (4,121,135)	\$ (39,461,319)	\$ (64,964,953)

Total net position of the District increased \$25,503,634 in 2022. Net position of governmental activities increased by \$23,522,490, while net position of the business-type activity increased \$1,981,144.

The District had \$154,726,902 in expenses and transfers related to governmental activities in 2021-22; only \$30,727,483 of these expenses were offset by program-specific charges for services, grants or contributions. The decrease in expenses in 2021-22 is primarily related to a \$10,519,793 decrease in the District's allocated portion of the state pension liability. The District's proportionate share of the Public School Employees' Retirement System (PSERS) liability is determined annually based upon the percentage of covered employee's payroll compared to all other participating employers. General revenues (primarily taxes and state subsidies) of \$147,521,909 also provided for these programs. The \$23,522,490 increase in governmental activities net position represents the excess of revenues over expenses.

In the District's business-type activity, net position increased by \$1,981,144 as a result of the net income of the food service operation.

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Management's Discussion and Analysis (Unaudited)

June 30, 2022

The June 30, 2022 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) Statement No. 68. In addition, GASB Statement No. 75 requires that the District report a liability and deferred outflows and inflows of resources related to postemployment benefits other than pension (OPEB), primarily health insurance. Below is a schedule showing the impact of GASB 68 and 75 on the unrestricted net position as of June 30, 2021 and 2022.

	Total Net Position	GASB 68 and 75 (Pension and OPEB Impact)	Total Excluding GASB 68 and 75 Impact	Net Position Available to Fund Operations and Debt Service
Governmental Activities:				
At June 30, 2021	\$ (60,843,818)	\$ (224,235,270)	\$ 163,391,452	\$ 100,385,976
Change in net position	<u>23,522,490</u>	<u>10,024,522</u>	<u>13,497,968</u>	<u>11,545,191</u>
Ending at June 30, 2022	<u>\$ (37,321,328)</u>	<u>\$ (214,210,748)</u>	<u>\$ 176,889,420</u>	<u>\$ 111,931,167</u>
Business-Type Activities:				
At June 30, 2021	\$ (4,121,135)	\$ (4,812,926)	\$ 691,791	\$ 525,226
Change in net position	<u>1,981,144</u>	<u>337,121</u>	<u>1,644,023</u>	<u>1,604,046</u>
Ending at June 30, 2022	<u>\$ (2,139,991)</u>	<u>\$ (4,475,805)</u>	<u>\$ 2,335,814</u>	<u>\$ 2,129,272</u>

As of June 30, 2022, excluding the impact of changes in position recorded based on GASB 68 and 75, \$49,845,043 of unrestricted net position of the \$176,889,420 of total net position of governmental activities was available to meet the District's ongoing obligations to employees and creditors for governmental activities. In addition, \$62,086,124 of restricted net position was available to meet debt service obligations or to fund future capital projects and \$64,958,253 is invested in capital assets and restricted for capital projects.

Financial Analysis of the Governmental Funds

General Fund

Revenues

Revenues for the 2021-22 fiscal year were \$177,666,994 compared to \$168,866,113 for the previous fiscal year. The revenues are derived from three main sources, as follows:

	2021 - 2022	2020 - 2021	Change Increase (Decrease)	% Change
Local sources	\$ 138,578,920	\$ 133,927,008	\$ 4,651,912	3.5 %
State sources	34,456,309	29,871,140	4,585,169	15.3
Federal sources	<u>4,631,765</u>	<u>5,067,965</u>	<u>(436,200)</u>	(8.6)
Total	<u>\$ 177,666,994</u>	<u>\$ 168,866,113</u>	<u>\$ 8,800,881</u>	5.2 %

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Management's Discussion and Analysis (Unaudited)

June 30, 2022

Local revenues are derived primarily from levying taxes such as real estate tax, earned income tax and real estate transfer tax. Local revenues increased \$4,651,912 compared to the prior year. Real estate taxes, including supplemental tax billings, increased approximately \$2,445,000, primarily related to an increase in assessed value. Supplemental tax rebates totaling approximately \$74,000 offset real estate tax revenue. The Supplemental Tax Rebate Program provides property tax rebates to senior citizens, widows, widowers and disabled persons who meet certain income eligibility guidelines and who are homeowners. Earned income tax increased approximately \$1,821,000 and IDEA revenue increased approximately \$258,000. Tuition increased approximately \$623,000 related to the impacts of the COVID-19 pandemic on prior year after school program revenues. Other local revenues increased approximately \$260,000, partially related to increases in revenues such as building rental and athletic ticket revenues. Delinquent and transfer tax decreased approximately \$566,000 and \$309,000, respectively.

State revenues are derived primarily from state subsidies for basic education and special education and a 50% reimbursement for social security and retirement costs. State revenues increased \$4,585,169 primarily related to the retroactive reimbursement of approximately \$3,401,000 in debt service payments related to bonds which financed the high school and elementary building projects. Basic and special education state subsidies increased approximately \$685,000 and retirement reimbursement increased approximately \$671,000. Transportation revenue decreased approximately \$168,000.

Federal revenues decreased \$436,200 primarily related to a decrease in COVID related grant funding of approximately \$483,000.

Expenditures

Expenditures and other financing uses for the 2021-22 fiscal year were \$169,529,067 compared to the 2020-21 fiscal year of \$154,859,899 or 9.5% increase. The following table shows the expenditures by object category:

	2021 - 2022	2020 - 2021	Increase (Decrease)	% Change
Salaries and benefits	\$ 121,532,669	\$ 115,972,590	\$ 5,560,079	4.8 %
Professional services	3,268,369	2,947,482	320,887	10.9
Purchased property services	1,954,582	1,551,666	402,916	26.0
Other purchased services	12,576,269	11,962,266	614,003	5.1
Supplies and property	7,801,185	8,208,900	(407,715)	(5.0)
Other objects	462,893	490,210	(27,317)	(5.6)
Other uses of funds	21,933,100	13,726,785	8,206,315	59.8
Total	<u>\$ 169,529,067</u>	<u>\$ 154,859,899</u>	<u>\$ 14,669,168</u>	9.5 %

Salaries and benefits increased \$5,560,079. Salary expense increased approximately \$3,719,000, and retirement and social security expense increased approximately \$1,340,000 and \$275,000, respectively, primarily related to the increase in salaries.

The increases in professional services were primarily related to security and field trips, both primarily related to increased activities. Purchased property services increased related to building maintenance and rental of tents, tables and chairs to provide additional space for physical distancing due to the pandemic, and other purchased services increased primarily related to contracted bus carrier and tuition expense. Supplies and property decreased due to higher pandemic related expenditures in the prior year.

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Other uses of funds increased \$8,206,315. The transfer to the capital projects and capital reserve funds increased approximately \$915,000 and \$6,960,000, respectively. Transfers to these funds were reduced or eliminated during the past two fiscal years. The transfer to the debt service fund increased approximately \$331,000 primarily related to savings in the prior year related to the bond refinancing.

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, 2022 is \$62,086,124.

Capital Projects Fund

The Capital Projects Fund is used to account for capital projects of the District. The District spent \$1,555,530 for such projects in 2021-22. The majority of expenditures in 2021-22 related to various paving and building improvement projects throughout the District. The Capital Projects fund balance is \$9,522,237 at June 30, 2022. Restricted cash of \$5,070,461 at June 30, 2022 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 2022 included \$169,248,905 of revenues and \$166,950,197 of expenditures and other financing uses. The budget was amended by \$397,294 for additional grants and related expenditures.

The actual revenues for 2022 were \$8,020,795 greater than the final budget. Local revenues were \$5,797,516 greater than budget primarily due to favorable variances in real estate tax revenue of approximately \$3,606,000, earned income tax of \$1,912,000 and real estate transfer tax revenue of \$733,000. Tuition was less than budget by approximately \$429,000 as revenue was still below pre-pandemic levels, and delinquent tax revenues were approximately \$213,000 below budget. Other local revenues were approximately \$188,000 greater than budget. State revenues were \$3,069,703 greater than budget primarily related to debt service reimbursements which exceeded budget by approximately \$2,740,000 due to unbudgeted retroactive reimbursements related to the high school and elementary building projects. Basic and special education state subsidies exceeded budget by approximately \$685,000, and the transportation subsidy and PSERS reimbursement were lower than budgeted by approximately \$156,000 and \$165,000, respectively. Federal revenues were less than budget by \$846,424 due to lower than budgeted reimbursable COVID related grant expenditures, offset by greater than budgeted reimbursement from the Special Education Medical ACCESS Program.

Actual expenditures, excluding the transfer to the Capital Reserve Fund, were \$4,580,050 less than the amended budget. The most significant positive budget variances include salary and benefits, most notably an approximately \$2,616,000 variance in health insurance due to positive results in the first year of the District's self-insured plan. Other significant positive variances include professional services and the District's budgeted contingency. The positive budget variance was utilized to transfer funds to the Capital Projects and Capital Reserve Funds. Transfers to these funds has been minimal over the past two years.

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, 2022 is \$24,472,600. The District established a committed fund balance of \$7,200,000 in 2021-22 to fund future budget shortfalls related to the self-insured health plan. 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, 2022

Capital Assets

The District's investment in capital assets for its governmental and business-type activity as of June 30, 2022 is summarized below (see details in Note 7 to the financial statements).

	Governmental Activities	Business-Type Activity	Total
Land, buildings and improvements	\$ 331,388,310	\$ -	\$ 331,388,310
Equipment and other capital assets	57,279,387	1,236,505	58,515,892
Construction in progress	687,248	-	687,248
Total	389,354,945	1,236,505	390,591,450
Accumulated depreciation	(115,571,657)	(1,029,963)	(116,601,620)
Net	<u>\$ 273,783,288</u>	<u>\$ 206,542</u>	<u>\$ 273,989,830</u>

Long-Term Debt

At June 30, 2022, the District had long-term debt of \$194,175,000 (see details in Note 9 to the financial statements) issued, authorized and outstanding, including referendum debt of \$63,250,000 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 \$130,925,000 is significantly below the legal limit of \$385,583,543.

Factors Expected to Have an Effect on Future Operations

The District has been awarded \$9,611,501 in various federal COVID relief funds. Funds utilized through 2021-22 total \$7,531,389, with the remaining funds projected to be utilized through 2024-25, funding various initiatives to address social, emotional and health needs of students, assist in the recovery costs related to lost learning during the pandemic, provide student learning during periods of quarantine and fund other qualified expenditures to supplement decreased revenues related to the economic impacts of the pandemic.

The assessed value of real estate used for the 2022-23 budget preparation is approximately \$2.46 billion, which is up approximately \$42 million, or 1.7%, from 2021-22. Amounts available for appropriation in the General Fund budget for 2022-23 are \$180,273,275, an increase of approximately 8% over the 2021-22 original budget of \$166,950,197. The property tax rate will increase 3.4% to 47.6544 mills, following two years with no increase in the property tax rate. The District will use this increase in revenues to finance programs currently offered and to fund teaching positions to support additional or shifting enrollment. Other significant budget increases related to estimated inflation and system enhancements required by insurance carriers. The budget includes \$759,836 in additional expense dedicated to lost learning resulting from the pandemic to be funded by COVID relief funds. Additional COVID relief funds will fund approximately \$1,029,000 of qualified budgeted expenditures. Committed fund balance of \$4,371,000 will be utilized to maintain unassigned fund balance within the state maximum of 8%. Transfers to the Capital Reserve Fund are expected to be \$2,513,370.

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, 2022

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 (EIT) 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% for a total EIT rate of 1.65%. 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 2021-2022 is 3.0%.

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 2021-2024 strategic plan was created as a refresh to the 2018-2023 strategic plan. A steering team comprised of district parents, students, teachers, board members and administrators created the plan. The strategic plan and its annual updates are required to be submitted to PDE each year.

District Growth

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% to 2%, respectively, across the forecasted period. The District hired a consultant to update enrollment projections in 2022.

District-Wide Facilities Master Plan

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. The work of the consultant hired to complete enrollment projections in 2022 are also expected to identify facility capacity and attendance boundary issues.

State College Area School District

Management's Discussion and Analysis (Unaudited)
June 30, 2022

Contact the District's Financial Management

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

State College Area School DistrictStatement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activity	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents	\$ 70,676,698	\$ 2,197,172	\$ 72,873,870
Taxes receivable, net	2,616,334	-	2,616,334
Internal balances	(95,001)	95,001	-
Due from other governments	13,394,590	156,145	13,550,735
Other receivables	154,556	5,924	160,480
Inventories	18,900	67,626	86,526
Other current assets	403,881	-	403,881
Total current assets	87,169,958	2,521,868	89,691,826
Noncurrent Assets			
Restricted cash and cash equivalents	60,196,585	-	60,196,585
Capital assets:			
Land	1,140,457	-	1,140,457
Buildings and improvements	330,247,853	-	330,247,853
Equipment and other capital assets	57,279,387	1,236,505	58,515,892
Construction in progress	687,248	-	687,248
Accumulated depreciation	(115,571,657)	(1,029,963)	(116,601,620)
Total noncurrent assets	333,979,873	206,542	334,186,415
Total assets	421,149,831	2,728,410	423,878,241
Deferred Outflows of Resources			
Pension	36,246,547	726,604	36,973,151
Other postemployment benefits (OPEB)	3,115,964	90,394	3,206,358
Deferred amounts on refunding	774,223	-	774,223
Total deferred outflows of resources	40,136,734	816,998	40,953,732
Total	\$ 461,286,565	\$ 3,545,408	\$ 464,831,973
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 2,375,054	\$ 4,468	\$ 2,379,522
Current portion of bonds payable	8,990,000	-	8,990,000
Current portion of lease liability	38,561	-	38,561
Accrued salaries and benefits	13,468,650	5,780	13,474,430
Payroll deductions and withholdings	9,432,404	-	9,432,404
Unearned revenue	589,148	145,927	735,075
Other current liabilities	2,586,739	182,759	2,769,498
Total current liabilities	37,480,556	338,934	37,819,490
Noncurrent Liabilities			
Bonds payable	205,492,416	-	205,492,416
Lease liability	13,118	-	13,118
Other postemployment benefits liability (OPEB)	16,983,137	525,619	17,508,756
Net pension liability	193,963,773	3,888,227	197,852,000
Compensated absences	2,048,544	53,662	2,102,206
Total noncurrent liabilities	418,500,988	4,467,508	422,968,496
Total liabilities	455,981,544	4,806,442	460,787,986
Deferred Inflows of Resources			
Other postemployment benefits (OPEB)	1,312,532	50,774	1,363,306
Pension	41,313,817	828,183	42,142,000
Total deferred inflows of resources	42,626,349	878,957	43,505,306
Net Position (Deficit)			
Net investment in capital assets	64,958,253	206,542	65,164,795
Restricted (for capital projects and debt service)	62,086,124	-	62,086,124
Unrestricted deficit	(164,365,705)	(2,346,533)	(166,712,238)
Total net position (deficit)	(37,321,328)	(2,139,991)	(39,461,319)
Total	\$ 461,286,565	\$ 3,545,408	\$ 464,831,973

See notes to financial statements

State College Area School District

Statement of Activities

Year Ended June 30, 2022

	Program Revenues			Capital Grants	Net (Expense) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activity	
Functions/Programs							
Governmental activities:							
Instruction	\$ (88,685,500)	\$ 1,017,491	\$ 19,221,977	\$ -	\$ (68,446,032)		\$ (68,446,032)
Instructional student support	(12,871,536)	-	1,918,654	-	(10,952,882)		(10,952,882)
Administration and financial support services	(16,552,932)	-	1,649,068	-	(14,903,864)		(14,903,864)
Operation and maintenance of plant services	(19,754,096)	70,914	2,067,588	-	(17,615,594)		(17,615,594)
Pupil transportation	(6,450,242)	-	994,509	-	(5,455,733)		(5,455,733)
Student activities	(2,547,551)	-	89,373	-	(2,458,178)		(2,458,178)
Community services	(77,638)	-	19,672	-	(57,966)		(57,966)
Interest on long-term debt	(7,429,335)	-	3,678,237	-	(3,751,098)		(3,751,098)
Depreciation, unallocated	<u>(358,072)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(358,072)</u>		<u>(358,072)</u>
Total governmental activities	(154,726,902)	1,088,405	29,639,078	-	(123,999,419)		(123,999,419)
Business-Type Activity							
Food service	<u>(4,867,977)</u>	<u>801,375</u>	<u>6,053,387</u>		<u>-</u>	<u>\$ 1,986,785</u>	<u>1,986,785</u>
Total	<u>\$ (159,594,879)</u>	<u>\$ 1,889,780</u>	<u>\$ 35,692,465</u>	<u>\$ -</u>	<u>(123,999,419)</u>	<u>1,986,785</u>	<u>(122,012,634)</u>
General Revenues							
Property taxes, levied for general purposes, net					114,998,074	-	114,998,074
Other taxes					20,868,195	-	20,868,195
Grants, subsidies and contributions not restricted					10,461,432	-	10,461,432
Investment earnings:							
Interest					471,965	-	471,965
Miscellaneous income					722,243	-	722,243
Loss on disposal of assets					<u>-</u>	<u>(5,641)</u>	<u>(5,641)</u>
Total general revenues					<u>147,521,909</u>	<u>(5,641)</u>	<u>147,516,268</u>
Changes in net position					23,522,490	1,981,144	25,503,634
Net Deficit, Beginning					<u>(60,843,818)</u>	<u>(4,121,135)</u>	<u>(64,964,953)</u>
Net Position (Deficit), Ending					<u>\$ (37,321,328)</u>	<u>\$ (2,139,991)</u>	<u>\$ (39,461,319)</u>

See notes to financial statements

State College Area School District

Balance Sheet - Governmental Funds

June 30, 2022

	Major Funds		Nonmajor Funds	
	General	Capital Reserve		Total
Assets				
Assets				
Cash and cash equivalents	\$ 70,094,205	\$ -	\$ 582,493	\$ 70,676,698
Restricted cash and cash equivalents	-	55,126,124	5,070,461	60,196,585
Taxes receivable, net	2,616,334	-	-	2,616,334
Due from other funds	265,347	6,960,000	4,844,060	12,069,407
Due from other governments	13,394,590	-	-	13,394,590
Other receivables	154,556	-	-	154,556
Inventories	1,598,758	-	-	1,598,758
Other current assets	403,881	-	-	403,881
Total	\$ 88,527,671	\$ 62,086,124	\$ 10,497,014	\$ 161,110,809
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Due to other funds	\$ 11,899,061	\$ -	\$ 105,127	\$ 12,004,188
Accounts payable	1,961,238	-	408,528	2,369,766
Accrued salaries and benefits	13,468,650	-	-	13,468,650
Payroll deductions and withholdings	9,432,404	-	-	9,432,404
Unearned revenue	589,148	-	-	589,148
Other liabilities	1,028,594	-	-	1,028,594
Total liabilities	38,379,095	-	513,655	38,892,750
Deferred Inflows of Resources				
Unavailable revenues, taxes	722,461	-	-	722,461
Fund Balances				
Nonspendable	1,598,758	-	-	1,598,758
Restricted	-	62,086,124	9,983,359	72,069,483
Committed	34,313,014	-	-	34,313,014
Assigned	84,854	-	-	84,854
Unassigned	13,429,489	-	-	13,429,489
Total fund balances	49,426,115	62,086,124	9,983,359	121,495,598
Total	\$ 88,527,671	\$ 62,086,124	\$ 10,497,014	\$ 161,110,809

See notes to financial statements

State College Area School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances, Governmental Funds	\$ 121,495,598
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are long-term financial resources, and therefore, are not reported as assets in government funds. The cost of assets is \$389,354,945 and the accumulated depreciation is \$115,571,657.	273,783,288
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.	722,461
Inventory of books and supplies was reclassified to capital assets.	(1,598,758)
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.	(169,425)
Deferred outflows related to net OPEB liability are not reported in the governmental funds, however, are reported in the statement of net position.	3,115,964
Deferred inflows related to net OPEB liability are not reported in the governmental funds, however are reported in the statement of net position.	(1,312,532)
Deferred outflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position.	36,246,547
Deferred inflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position.	(41,313,817)
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	(214,482,416)
Deferred amounts on refunding	774,223
Accrued interest on long-term debt	(1,558,145)
Net OPEB liability	(16,983,137)
Net pension liability	(193,963,773)
Lease liability	(51,679)
Compensated absences	(2,025,727)
Total Net Position (Deficit), Governmental Activities	<u>\$ (37,321,328)</u>

State College Area School District**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

Year Ended June 30, 2022

	Major Funds		Nonmajor Funds	
	General	Capital Reserve		Total
Revenues				
Local sources	\$ 138,578,920	\$ 148,922	\$ 1,360,417	\$ 140,088,259
State sources	34,456,309	-	-	34,456,309
Federal sources	4,631,765	-	-	4,631,765
Total revenues	177,666,994	148,922	1,360,417	179,176,333
Expenditures				
Instruction	95,227,254	-	-	95,227,254
Support services	49,696,698	-	-	49,696,698
Noninstructional services	2,556,490	-	262,637	2,819,127
Facilities acquisition, construction and improvement services	34,134	-	1,555,530	1,589,664
Debt service	-	4,855,775	12,673,100	17,528,875
Total expenditures	147,514,576	4,855,775	14,491,267	166,861,618
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	30,152,418	(4,706,853)	(13,130,850)	12,314,715
Other Financing Sources (Uses)				
Transfer in	-	6,960,000	14,973,100	21,933,100
Refund of prior year receipts	(81,391)	-	-	(81,391)
Transfer out	(21,933,100)	-	-	(21,933,100)
Total other financing (uses) sources	(22,014,491)	6,960,000	14,973,100	(81,391)
Changes in fund balances	8,137,927	2,253,147	1,842,250	12,233,324
Fund Balances, Beginning	41,288,188	59,832,977	8,141,109	109,262,274
Fund Balances, Ending	\$ 49,426,115	\$ 62,086,124	\$ 9,983,359	\$ 121,495,598

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, 2022

Total Changes in Fund Balances - Governmental Funds **\$ 12,233,324**

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. (10,193)

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	\$ (10,455,132)	
Surety insurance capitalized in prior year removing as refunded in current year	(955,759)	
Capital outlays	2,474,894	(8,935,997)

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. 228,405

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, 2022 are as follows:

Scheduled principal payments on leases	37,768	
Scheduled principal payments on long-term debt	8,680,000	8,717,768

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. 1,421,389

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. (36,775)

Net OPEB liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported within the statement of net position, and changes in the liability is reflected within the statement of net position. This represents the change in OPEB liability and the deferred outflows and inflows related to the OPEB. (495,271)

Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported within the statement of net position, and changes in the liability are reflected within the statement of net position. This represents the change in pension liability and the deferred outflows and inflows related to the pension. 10,519,793

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. (119,953)

Changes in Net Position of Governmental Activities **\$ 23,522,490**

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, 2022

	Budgeted Amount		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 132,595,519	\$ 132,781,404	\$ 138,578,920	\$ 5,797,516
State sources	31,344,729	31,386,606	34,456,309	3,069,703
Federal sources	5,308,657	5,478,189	4,631,765	(846,424)
Total revenues	169,248,905	169,646,199	177,666,994	8,020,795
Expenditures				
Instruction:				
Regular programs	69,211,804	68,809,455	67,264,943	1,544,512
Special programs	23,093,075	22,958,532	21,713,849	1,244,683
Vocational education programs	3,986,418	4,032,242	3,847,161	185,081
Other instructional programs	2,406,598	2,521,939	2,370,203	151,736
Adult education programs	5,579	5,579	4,513	1,066
Nonpublic school programs	12,801	41,866	26,585	15,281
Total instruction	98,716,275	98,369,613	95,227,254	3,142,359
Support services:				
Pupil personnel	5,960,861	6,267,952	6,229,582	38,370
Instructional staff	5,994,908	5,774,719	5,471,181	303,538
Administration	8,759,198	8,847,420	8,742,940	104,480
Pupil health	2,323,880	2,371,851	2,301,312	70,539
Business	1,611,584	1,711,802	1,706,646	5,156
Operation and maintenance of plant services	11,826,087	12,544,540	12,240,708	303,832
Student transportation services	7,040,107	6,843,679	6,405,379	438,300
Central	6,576,700	6,743,846	6,598,950	144,896
Total support services	50,093,325	51,105,809	49,696,698	1,409,111
Noninstructional services:				
Student activities	2,806,180	2,827,413	2,478,852	348,561
Community services	36,803	84,224	76,038	8,186
Scholarships and awards	-	10,000	1,600	8,400
Total noninstructional services	2,842,983	2,921,637	2,556,490	365,147
Facilities acquisition, construction and improvement services	-	34,134	34,134	-
Total expenditures	151,652,583	152,431,193	147,514,576	4,916,617
Excess of revenues over expenditures before other financing sources (uses)	17,596,322	17,215,006	30,152,418	12,937,412
Other Financing Sources (Uses)				
Budgetary reserve	(938,603)	(550,898)	-	550,898
Refund of prior year receipts	(75,000)	(81,391)	(81,391)	-
Transfers out	(14,284,011)	(14,284,011)	(21,933,100)	(7,649,089)
Total other financing uses, net	(15,297,614)	(14,916,300)	(22,014,491)	(7,098,191)
Changes in fund balances	\$ 2,298,708	\$ 2,298,706	8,137,927	\$ 5,839,221
Fund Balances, Beginning			41,288,188	
Fund Balances, Ending			\$ 49,426,115	

See notes to financial statements

State College Area School District

Statement of Net Position - Proprietary Funds

June 30, 2022

	Food Service Fund	Internal Service Fund
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 2,197,172	\$ -
Due from other funds	95,001	-
Due from other governments	156,145	-
Other receivables	5,924	-
Inventories	67,626	18,900
Total current assets	2,521,868	18,900
Noncurrent Assets		
Equipment	1,236,505	482,259
Accumulated depreciation	(1,029,963)	(429,738)
Total noncurrent assets	206,542	52,521
Deferred Outflows of Resources		
OPEB	90,394	4,180
Pension	726,604	42,705
Total deferred outflows of resources	816,998	46,885
Total	\$ 3,545,408	\$ 118,306
Liabilities, Deferred Inflows of Resources and Net Deficit		
Current Liabilities		
Accounts payable	\$ 4,468	\$ 5,288
Accrued salaries and benefits	5,780	-
Due to other funds	-	160,220
Other liabilities	182,759	-
Lease liability	-	38,561
Unearned revenue	145,927	-
Total current liabilities	338,934	204,069
Noncurrent Liabilities		
Net pension liability	3,888,227	228,527
Net OPEB liability	525,619	23,220
Lease liability	-	13,118
Compensated absences	53,662	22,817
Total noncurrent liabilities	4,467,508	287,682
Total liabilities	4,806,442	491,751
Deferred Inflows of Resources		
OPEB	50,774	1,930
Pension	828,183	48,676
Total deferred inflows of resources	878,957	50,606
Net Deficit		
Net investment in capital assets	206,542	842
Unrestricted deficit	(2,346,533)	(424,893)
Total net deficit	(2,139,991)	(424,051)
Total	\$ 3,545,408	\$ 118,306

See notes to financial statements

State College Area School District

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

Year Ended June 30, 2022

	Food Service Fund	Internal Service Fund
Operating Revenues		
Food service revenue	\$ 801,375	\$ -
Charges for services	-	421,824
Total operating revenues	801,375	421,824
Operating Expenses		
Salaries and employee benefits	2,353,428	110,488
Food, milk and supplies	2,445,773	98,029
Depreciation	28,101	39,451
Professional and technical services	5,632	100,000
Other purchased services	6,645	10,474
Purchased property services	17,924	61,949
Other objects	10,474	-
Interest	-	1,849
Total operating expenses	4,867,977	422,240
Operating loss	(4,066,602)	(416)
Nonoperating Revenues (Expenses)		
Loss on disposal of capital assets	(5,641)	-
State sources	467,248	-
Federal sources	5,586,139	-
Total nonoperating revenues	6,047,746	-
Changes in net deficit	1,981,144	(416)
Net Deficit, Beginning	(4,121,135)	(423,635)
Net Deficit, Ending	<u>\$ (2,139,991)</u>	<u>\$ (424,051)</u>

See notes to financial statements

State College Area School District

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2022

	Food Service Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash received from customers	\$ 676,007	\$ 420,079
Cash paid to employees	(2,815,343)	(147,102)
Cash paid to vendors	(2,470,033)	(235,209)
Net cash (used in) provided by operating activities	(4,609,369)	37,768
Cash Flows Used in Investing Activities		
Purchase of equipment	(73,719)	-
Cash Flows Used in Capital and Related Financing Activities		
Principal payments on lease liability	-	(37,768)
Cash Flows From Noncapital Financing Activities		
State sources	477,839	-
Federal sources	6,389,066	-
Net cash provided by noncapital financing activities	6,866,905	-
Change in cash and cash equivalents	2,183,817	-
Cash and Cash Equivalents, Beginning	13,355	-
Cash and Cash Equivalents, Ending	<u>\$ 2,197,172</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash (Used in) Provided by Operating Activities		
Operating loss	\$ (4,066,602)	\$ (416)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	28,101	39,451
Pension changes	(350,206)	(34,004)
OPEB changes	13,085	(4,038)
Changes in assets and liabilities resulting in the provision (use) of cash:		
Inventories	18,237	(3,400)
Other receivables	10,030	-
Due to/from other funds	(100,964)	34,020
Accounts payable	(1,822)	4,727
Accrued salaries and benefits	(122,637)	(3,939)
Other liabilities	(34,434)	-
Compensated absences	(2,157)	5,367
Net cash (used in) provided by operating activities	<u>\$ (4,609,369)</u>	<u>\$ 37,768</u>
Noncash Investing and Noncapital Financing Activities		
USDA donated commodities	<u>\$ 421,050</u>	<u>\$ -</u>

See notes to financial statements

State College Area School District

Notes to Financial Statements
June 30, 2022

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

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

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

The District does not allocate indirect costs.

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

Basic Financial Statements, Fund Financial Statements

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

The following fund types are used by the District:

Governmental Funds

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

General Fund

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

Capital Reserve Fund

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

Capital Projects Fund

The Capital Project Fund accounts for the financial resources to be used 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 GAAP are those similar to businesses in the private sector.

Food Service Fund

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

Internal Service Fund

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

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets 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.

State College Area School District

Notes to Financial Statements
June 30, 2022

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

Compensated Absences

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

Governmental Fund Balances

The District classifies its governmental fund balances as follows:

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

Restricted Net Position/Fund Balances

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

Deferred Outflows/Inflows of Resources

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

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

State College Area School District

Notes to Financial Statements

June 30, 2022

Pension

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

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

Other Postemployment Benefits (OPEB)

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

Leases

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

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 June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the District's leasing activities. This standard was implemented during the District's fiscal year ended June 30, 2022, which resulted in recording an intangible right-to-use lease asset and lease liability at July 1, 2021 of \$89,447.

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, 2022, \$118,172,136 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, 2022, the carrying amount and bank balances of the District's investment in PSDLAF were \$14,858,770. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

3. Property Taxes

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

State College Area School District

Notes to Financial Statements

June 30, 2022

4. Interfund Receivables, Payables and Transfers

At June 30, 2022, the following interfund balances were unpaid:

Amounts due from other funds:	
General Fund	\$ 265,347
Capital Reserve Fund	6,960,000
Capital Projects Fund	4,844,060
Food Service Fund	95,001
	<hr/>
Total	\$ 12,164,408
	<hr/>
Amounts due to other funds:	
General Fund	\$ 11,899,061
Internal Service Fund	160,220
School Sponsored Activity Fund	105,127
	<hr/>
Total	\$ 12,164,408
	<hr/>

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, 2022 is as follows:

Transfers in:	
Debt Service Fund	\$ 12,673,100
Capital Reserve Fund	6,960,000
Capital Projects Fund	2,300,000
	<hr/>
Total	\$ 21,933,100
	<hr/>
Transfers out:	
General Fund	\$ 21,933,100
	<hr/>

The General Fund transferred \$12,673,100 to the Debt Service Fund to cover required debt service payments in 2022, \$6,960,000 to the Capital Reserve Fund and \$2,300,000 to the Capital Projects Fund for the purpose of deferred maintenance.

5. Due From Other Governments

The amount reported in the funds at June 30, 2022 as due from other governments is summarized below:

	Federal	State	Local	Total
General Fund	\$ 3,567,853	\$ 9,514,371	\$ 312,366	\$ 13,394,590
Food Service Fund	61,267	94,878	-	156,145
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 3,629,120	\$ 9,609,249	\$ 312,366	\$ 13,550,735
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2022. 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, 2022.

State College Area School District

Notes to Financial Statements

June 30, 2022

6. Taxes Receivable, Net

A summary of the taxes receivable and related accounts at June 30, 2022 is as follows:

Delinquent real estate taxes receivable	\$ 1,309,371
Earned income taxes receivable	1,187,382
Real estate transfer tax receivable	315,812
Interim real estate tax	50,331
Local service	9,329
Total	2,872,225
Estimated uncollectible taxes at June 30, 2022	(255,891)
Total	<u>\$ 2,616,334</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance, July 1, 2021	Increases	Transfers/ Decreases	Balance, June 30, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,140,457	\$ -	\$ -	\$ 1,140,457
Construction in progress	111,436	1,762,221	(1,186,409)	687,248
Total capital assets, not being depreciated	1,251,893	1,762,221	(1,186,409)	1,827,705
Capital assets being depreciated:				
Buildings and improvements	330,270,960	5,610	(28,717)	330,247,853
Equipment and other capital assets	56,001,978	707,063	88,087	56,797,128
Leased equipment-internal service	186,377	-	-	186,377
Equipment-internal service	295,882	-	-	295,882
Total capital assets, being depreciated	386,755,197	712,673	59,370	387,527,240
Accumulated depreciation for:				
Buildings and improvements	(62,531,802)	(8,479,969)	41,653	(70,970,118)
Equipment and other capital assets	(42,365,717)	(1,935,712)	129,627	(44,171,802)
Leased equipment-internal service	(96,930)	(37,768)	-	(134,698)
Equipment, internal service	(293,356)	(1,683)	-	(295,039)
Total accumulated depreciation	(105,287,805)	(10,455,132)	171,280	(115,571,657)
Total capital assets being depreciated, net	281,467,392	(9,742,459)	230,650	271,955,583
Governmental activities capital assets, net	<u>\$ 282,719,285</u>	<u>\$ (7,980,238)</u>	<u>\$ (955,759)</u>	<u>\$ 273,783,288</u>
Business-type activity:				
Capital assets being depreciated,				
Equipment and other capital assets	\$ 1,186,852	\$ 73,720	\$ (24,067)	\$ 1,236,505
Accumulated depreciation for:				
Equipment and other capital assets	(1,020,287)	(28,101)	18,425	(1,029,963)
Business-type activity capital assets, net	<u>\$ 166,565</u>	<u>\$ 45,619</u>	<u>\$ (5,642)</u>	<u>\$ 206,542</u>

State College Area School District

Notes to Financial Statements

June 30, 2022

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

Governmental activities:	
Unallocated	\$ 358,072
Instruction	1,072,888
Instructional support services	1,803
Administrative and financial support services	835,741
Operation and maintenance of plant services	<u>8,186,628</u>
Total depreciation expenses for governmental activities	<u>\$ 10,455,132</u>
Business-type activities:	
Food service	<u>\$ 28,101</u>

8. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$13,468,650 represent salaries of \$9,410,531, the District's share of Social Security taxes of \$719,425 for employees' services during the 2021-2022 school term, which are paid during July and August 2022, and retirement plan expense of \$3,285,842 applicable to the accrued salaries at June 30, 2022 and accrued workers' compensation of \$52,852.

9. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2022 are as follows:

	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022	Amounts Due Within One Year
Bond Series, 2015	\$ 65,465,000	\$ -	\$ 2,215,000	\$ 63,250,000	\$ 2,325,000
Bond Series, 2015B	14,325,000	-	2,315,000	12,010,000	2,740,000
Bond Series, 2017	39,650,000	-	1,125,000	38,525,000	1,160,000
Bond Series, 2018	48,020,000	-	1,255,000	46,765,000	1,280,000
Bond Series, 2019A	20,885,000	-	475,000	20,410,000	500,000
Bond Series, 2019B	8,535,000	-	1,005,000	7,530,000	760,000
Bond Series, 2020	5,975,000	-	290,000	5,685,000	225,000
Total bonds payable	202,855,000	-	8,680,000	194,175,000	<u>\$ 8,990,000</u>
Bond premium	21,753,280	-	1,445,864	20,307,416	
Total long-term debt	<u>\$ 224,608,280</u>	<u>\$ -</u>	<u>\$ 10,125,864</u>	<u>\$ 214,482,416</u>	

State College Area School District

Notes to Financial Statements

June 30, 2022

Long-term debt at June 30, 2022 consists of the following:

\$75,120,000 General Obligation Bonds, Series of 2015, due in varying annual installments through March 2040, interest rates of 3% to 5%	\$ 63,250,000
\$21,590,000 General Obligation Bonds, Series B of 2015, due in varying annual installments through May 2028, interest rates of 3% to 5%	12,010,000
\$43,840,000 General Obligation Bonds, Series of 2017, due in varying annual installments through May 2043, interest rates of 3% to 5%	38,525,000
\$51,285,000 General Obligation Bonds, Series of 2018, due in varying annual installments through November 2044, interest rates of 2% to 5%	46,765,000
\$21,330,000 General Obligation Bonds, Series A of 2019, due in varying annual installments through May 2044, interest rates of 4% to 5%	20,410,000
\$10,230,000 General Obligation Bonds, Series B of 2019, due in varying annual installments through November 2029, interest rate of 5%	7,530,000
\$5,975,000 General Obligation Bonds, Series of 2020, due in varying annual installments through March 2028, interest rate of 2% to 4%	5,685,000
Unamortized bond premium	<u>20,307,416</u>
Total	214,482,416
Current portion	<u>8,990,000</u>
Long-term debt	<u><u>\$ 205,492,416</u></u>

Debt service requirements at June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
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	9,810,000	6,627,475	16,437,475
2028 - 2032	42,630,000	27,039,363	69,669,363
2033 - 2037	45,060,000	18,575,362	63,635,362
2038 - 2042	45,010,000	8,087,311	53,097,311
2043 - 2045	<u>12,915,000</u>	<u>809,387</u>	<u>13,724,387</u>
Total	<u>\$ 194,175,000</u>	<u>\$ 92,284,373</u>	<u>\$ 286,459,373</u>

State College Area School District

Notes to Financial Statements
June 30, 2022

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:

	General Fund	Capital Reserve Fund	Nonmajor Funds	Total
Nonspendable for inventories	\$ 1,598,758	\$ -	\$ -	\$ 1,598,758
Restricted for:				
Capital projects and debt service	\$ -	\$ 62,086,124	\$ 9,983,359	\$ 72,069,483
Assigned for:				
Career and Technology Center accounts	\$ 84,854	\$ -	\$ -	\$ 84,854
Committed for:				
Future COVID impacts	\$ 24,472,600	\$ -	\$ -	\$ 24,472,600
Health insurance	7,200,000	-	-	7,200,000
PSERS	2,640,414	-	-	2,640,414
Total committed	\$ 34,313,014	\$ -	\$ -	\$ 34,313,014

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.

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% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

Member Contributions

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

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

Shared Risk Program Summary

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

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Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.14%* 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 \$25,140,151 for the year ended June 30, 2022.

*This includes the defined contribution rate of 0.15% which is an estimated rate.

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

At June 30, 2022, the District reported a liability of \$197,852,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.4819%, which was a decrease of 0.0223% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$14,161,000. At June 30, 2022, 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	\$ 146,000	\$ 2,599,000
Changes in assumptions	9,596,000	-
Net difference between projected and actual earnings on pension plan investments	-	31,494,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,091,000	8,049,000
District contributions subsequent to the measurement date	25,140,151	-
Total	\$ 36,973,151	\$ 42,142,000

\$25,140,151 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, 2023. 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:

2023	\$ (7,670,000)
2024	(5,951,000)
2025	(6,513,000)
2026	(10,175,000)
Total	\$ (30,309,000)

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2021 (the 2021 measurement date) was determined by rolling forward the District's total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay;
- Investment return - 7.00%, includes inflation at 2.50%;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the PSERS Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

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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	27.0 %	5.2 %
Fixed income	35.0	1.8
Commodities	10.0	2.0
Absolute return	8.0	3.1
Private equity	12.0	7.3
Infrastructure/MLPs	8.0	5.1
Real estate	10.0	4.7
Cash	3.0	0.1
Financing (LIBOR)	(13.0)	0.1
	<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, 2021.

Discount Rate

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

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 259,688,000	\$ 197,852,000	\$ 145,691,000

Pension Plan Fiduciary Net Position

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

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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 2022, total District contributions (including retirement bonus and sick payouts) were \$1,230,072.

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 2022 totaled \$439,350.

15. Lessee, Lease Liability

Governmental Activities (Internal Service Fund)

Lease Liability Description	Date of Issue	Final Maturity Interest Rates	Original Indebtedness	Balance
Copiers	October 2019 - October 2024	2.0 %	\$ 186,377	\$ 51,679

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

Years	Principal	Interest	Total
2023	\$ 38,561	\$ 1,056	\$ 39,617
2024	13,118	88	13,206
Total	<u>\$ 51,679</u>	<u>\$ 1,144</u>	<u>\$ 52,823</u>

16. Other Postemployment Benefits (OPEB)

State College Area School District Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description and Benefits Provided

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

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

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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 - State College OPEB Plan

The District's total OPEB liability under the State College OPEB Plan as of June 30, 2022 was \$6,074,756, 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 under the State College OPEB Plan, 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	2.28%
Salary increases	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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, 2021.

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

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Changes in the State College OPEB Plan Liability

	State College OPEB Plan Liability
Balance, July 1, 2021	\$ 5,865,647
Changes for the year:	
Service cost	449,059
Interest	115,730
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(184,654)
Benefit payments	(171,026)
Net changes	209,109
Balance, June 30, 2022	\$ 6,074,756

Changes in assumptions or other inputs reflect a change in the discount rate from 1.86% in 2020 to 2.28% in 2021.

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

The following presents the State College OPEB Plan liability of the District, as well as what the State College OPEB Plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.28%) or 1-percentage-point higher (3.28%) than the current discount rate:

	1% Decrease (1.28%)	Discount Rate (2.28%)	1% Increase (3.28%)
State College OPEB Plan Liability	\$ 6,520,045	\$ 6,074,756	\$ 5,650,291

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State College OPEB Plan Liability	\$ 5,330,649	\$ 6,074,756	\$ 6,961,062

State College Area School District

Notes to Financial Statements
June 30, 2022

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$567,093. At June 30, 2022, 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	\$ 721,609	\$ 290,984
District contributions subsequent to the measurement date	171,762	-
Differences between expected and actual experience	20,103	516,322
	<u>\$ 913,474</u>	<u>\$ 807,306</u>

The \$171,762 of District contributions will be recognized as a reduction of the net OPEB liability in 2023. 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:	
2023	\$ 2,304
2024	2,304
2025	2,304
2026	2,304
2027	2,304
Thereafter	<u>(77,114)</u>
Total	<u>\$ (65,594)</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.

State College Area School District

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Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% 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 \$606,884 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$11,434,000 for its proportionate share of the net PSERS OPEB liability. The PSERS net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the PSERS net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's proportion was 0.4825%, which was a decrease of 0.0224% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized PSERS OPEB expense of \$721,000. At June 30, 2022, 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	\$ 1,218,000	\$ 153,000
District contributions subsequent to the measurement date	606,884	-
Changes in proportion	339,000	403,000
Difference between expected and actual experience	106,000	-
Net difference between projected and actual investment earnings	23,000	-
	<u>\$ 2,292,884</u>	<u>\$ 556,000</u>

\$606,884 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 PSERS net OPEB liability in the year ended June 30, 2023. 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:	
2023	\$ 221,000
2024	219,000
2025	276,000
2026	196,000
2027	133,000
Thereafter	85,000
Total	<u>\$ 1,130,000</u>

Actuarial Assumptions

The Total PSERS OPEB Liability as of June 30, 2021 (the measurement date), was determined by rolling forward PSERS's Total OPEB Liability as of June 30, 2020 to June 30, 2021 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 - 2.18% - S&P 20 Year Municipal Bond Rate;
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Premium Assistance reimbursement is capped at \$1,200 per year;
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- Participation rate;
 - Eligible retirees will elect to participate Pre age 65 at 50 ;
 - Eligible retirees will elect to participate Post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021;
- 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% of eligible retirees are assumed to elect premium assistance;
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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The PSERS 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	79.8 %	0.1 %
US Core Fixed Income	17.5	0.7
Non U.S. Developed Fixed	2.7	(0.3)
	<u>100.0 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the Total PSERS OPEB Liability was 2.18%. 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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, 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, 2022, 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, 2022, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Trends Cost Rate	1% Increase
PSERS Net OPEB Liability	\$ 11,433,000	\$ 11,434,000	\$ 11,436,000

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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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18% or 1-percentage-point higher (3.18%) than the current rate:

	1% Decrease 1.18%	Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	\$ 13,123,000	\$ 11,434,000	\$ 10,044,000

PSERS OPEB Plan Fiduciary Net Position

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

17. Pending Changes in Accounting Principles

The GASB has approved the following:

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. 99, *Omnibus 2022*;

Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*;

Statement No. 101, *Compensated Absences*.

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)

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.4819%	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	\$ 197,852,000	\$ 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	\$ 68,392,796	\$ 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	289.3%	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%	not available

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)

Years Ended June 30

	Last 10 Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 25,140,151	\$ 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
Contributions in relation to the contractually required contribution	(25,140,151)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 75,561,786	\$ 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
Contributions as a percentage of covered-employee payroll	33.27%	33.70%	33.49%	32.69%	26.33%	22.34%	19.78%	15.96%	11.65%	7.51%

State College Area School District

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

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

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

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

State College Area School District

Schedule of District's PSERS OPEB Contributions (Unaudited)

Years Ended June 30

	Last 10 Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 606,884	\$ 560,909	\$ 595,779	\$ 573,182	\$ 538,893	\$ 440,248	\$ 504,075	\$ 491,380	\$ 507,202	\$ 381,461
Contributions in relation to the contractually required contribution	(606,884)	(560,909)	(595,779)	(573,182)	(538,893)	(440,248)	(504,075)	(491,380)	(507,202)	(381,461)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 75,561,786	\$ 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
Contributions as a percentage of covered-employee payroll	0.80%	0.82%	0.84%	0.83%	0.81%	0.69%	0.82%	0.84%	0.88%	0.65%

State College Area School District

Required Supplementary Information

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

Years Ended June 30

(Unaudited)

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

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

Information prior to 2018 year is not available.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
State College Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the State College Area School District (the District), as of and for the year ended June 30, 2022, 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 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly US, LLP

State College, Pennsylvania
December 14, 2022

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

Independent Auditors' Report

To the Board of Directors of
State College Area School District

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the State College Area School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Baker Tilly US, LLP

State College, Pennsylvania
December 14, 2022

State College Area School District

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund Year Ended June 30, 2022

Revenues

Local sources:

Current taxation:

Real estate	\$ 109,920,538
Earned income tax	20,484,199
Local service tax	383,996
Real estate transfers	3,233,460
Payments in lieu of taxes	637,441
Public utility realty tax	129,570

Total current taxation 134,789,204

Delinquent taxation 1,087,258

Total from taxation 135,876,462

Earnings from temporary investments and deposits	168,121
Receipts from other LEA's	41,871
Tuition	975,620
IDEA	992,337
Miscellaneous revenue	524,509

Total local sources 138,578,920

State sources:

Basic instructional subsidy	9,039,483
Private placement tuition	95,236
Vocational education	250,919
Special education	3,411,035
Transportation	643,838
Rental and sinking fund payments	3,678,237
Medical and dental services	135,129
Property tax reduction	1,421,949
Social Security subsidy	2,743,532
Retirement subsidy	12,665,683
Other state grants	371,268

Total state sources 34,456,309

Federal sources:

Title I	627,144
Title II A	133,336
Secondary Allocation	65,648
Title III	31,453
Title IV	52,965
Education Stabilization Funds	3,201,158
Medical Assistance	10,967
ACCESS	509,094

Total federal sources 4,631,765

Total revenues 177,666,994

State College Area School District

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund
Year Ended June 30, 2022

Expenditures

Instruction:

Regular programs	\$ 67,264,943
Special programs	21,713,849
Vocational education programs	3,847,161
Other instructional programs	2,370,203
Adult education programs	4,513
Nonpublic school programs	26,585

Total instruction 95,227,254

Support services:

Pupil personnel	6,229,582
Instructional staff	5,471,181
Administration	8,742,940
Pupil health	2,301,312
Business	1,706,646
Operation and maintenance of plant services	12,240,708
Student transportation services	6,405,379
Central	6,598,950

Total support services 49,696,698

Noninstructional services:

Student activities	2,478,852
Community services	77,638

Total noninstructional services 2,556,490

Facilities acquisition, construction and improvement services

34,134

Total expenditures 147,514,576

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

30,152,418

Other Financing Sources (Uses)

Refund of prior year receipts	(81,391)
Transfers out	(21,933,100)

Total other financing uses, net (22,014,491)

Change in fund balances 8,137,927

Fund Balance, Beginning

41,288,188

Fund Balance, Ending

\$ 49,426,115

State College Area School District

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2022

	Capital Projects	Student Activity	Total
Assets			
Assets			
Cash and cash equivalents	\$ -	\$ 582,493	\$ 582,493
Restricted cash and cash equivalents	5,070,461	-	5,070,461
Due from other funds	4,844,060	-	4,844,060
Total	<u>\$ 9,914,521</u>	<u>\$ 582,493</u>	<u>\$ 10,497,014</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ 105,127	\$ 105,127
Accounts payable	392,284	16,244	408,528
Total liabilities	392,284	121,371	513,655
Fund Balances			
Restricted	9,522,237	461,122	9,983,359
Total	<u>\$ 9,914,521</u>	<u>\$ 582,493</u>	<u>\$ 10,497,014</u>

State College Area School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2022

	Capital Projects	Debt Service	Student Activity	Total
Revenues				
Local sources	\$ 1,110,681	\$ -	\$ 249,736	\$ 1,360,417
Expenditures				
Noninstructional services	-	-	262,637	262,637
Facilities acquisition, construction and improvement services	1,555,530	-	-	1,555,530
Debt service	-	12,673,100	-	12,673,100
Total expenditures	1,555,530	12,673,100	262,637	14,491,267
Deficiency of revenues over expenditures before other financing sources	(444,849)	(12,673,100)	(12,901)	(13,130,850)
Other Financing Sources				
Transfer in	2,300,000	12,673,100	-	14,973,100
Changes in fund balances	1,855,151	-	(12,901)	1,842,250
Fund Balances, Beginning	7,667,086	-	474,023	8,141,109
Fund Balances, Ending	\$ 9,522,237	\$ -	\$ 461,122	\$ 9,983,359

State College Area School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

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, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Expenditures to Subrecipients
U.S. Department of Education											
Passed Through the PA Department of Education:											
Title I, Part A:											
Title I Grants to Local Educational Agencies	I	84.010	013-220418	C	\$ 622,305	\$ 505,181	\$ -	\$ 603,742	\$ 603,742	\$ 98,561	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-210418	B	694,758	142,789	119,387	23,402	23,402	-	-
Total Title I, Part A						647,970	119,387	627,144	627,144	98,561	-
Career and Technical Education - Basic Grants to States	I	84.048	380-220007	C	65,648	65,648	-	65,648	65,648	-	-
English Language Acquisition State Grants	I	84.365	010-220418	C	35,330	9,304	-	1,180	1,180	(8,124)	-
English Language Acquisition State Grants	I	84.365	010-210418	B	42,771	19,960	(2,476)	21,557	21,557	(879)	-
English Language Acquisition State Grants	I	84.365	010-200418	A	45,572	-	(8,716)	8,716	8,716	-	-
Total English Language Acquisition State Grants						29,264	(11,192)	31,453	31,453	(9,003)	-
Supporting Effective Instruction State Grants	I	84.367	020-220418	C	133,842	125,807	-	122,597	122,597	(3,210)	-
Supporting Effective Instruction State Grants	I	84.367	020-210418	B	149,740	41,977	32,199	3,886	3,886	(5,892)	-
Supporting Effective Instruction State Grants	I	84.367	020-200418	A	166,804	-	(6,853)	6,853	6,853	-	-
Total Improving Teacher Quality State Grants						167,784	25,346	133,336	133,336	(9,102)	-
Student Support and Academic Enrichment Program	I	84.424	144-220418	C	52,864	31,700	-	35,656	35,656	3,956	-
Student Support and Academic Enrichment Program	I	84.424	144-210418	B	57,528	19,176	2,950	16,226	16,226	-	-
Student Support and Academic Enrichment Program	I	84.424	144-200418	A	57,783	-	(1,083)	1,083	1,083	-	-
Total Student Support and Academic Enrichment Program						50,876	1,867	52,965	52,965	3,956	-
Education Stabilization Funds											
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	I	84.425U	225-210418	C	58,300	22,260	-	660	660	(21,600)	-
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	I	84.425U	225-210418	C	58,300	22,260	-	18,453	18,453	(3,807)	-
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	I	84.425U	225-210418	C	291,500	111,300	-	152,635	152,635	41,335	-
COVID-19 - ARP - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-21-2416	C	34,991	2,692	-	958	958	(1,734)	-
COVID-19 - Governor's Emergency Education Relief Fund (GEER)	I	84.425C	252-200418	B	28,697	21,145	9,589	11,556	11,556	-	-
COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund	I	84.425D	200-210418	B	2,595,887	2,595,887	2,595,887	-	-	-	-
COVID-19 - American Rescue Plan (ARP) - Elementary and Secondary School Emergency Relief Fund	I	84.425U	223-210418	B	5,250,729	381,871	424,121	3,016,882	3,016,882	3,059,132	-
Passed Through Pennsylvania Commission on Crime and Delinquency: COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund	I	84.425D	35302	B	205,260	587	573	14	14	-	-
Total Education Stabilization Funds						3,158,002	3,030,170	3,201,158	3,201,158	3,073,326	-
Total PA Department of Education						4,119,544	3,165,578	4,111,704	4,111,704	3,157,738	-

See notes to schedule of expenditures of federal awards

State College Area School District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

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, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2022	Expenditures to Subrecipients
Passed Trough Central Intermediate Unit #10:											
Special Education Cluster (IDEA):											
COVID-19 - Special Education - Grants to States	I	84.027	062-22-0-010	C	\$ 1,043,309	\$ 582,024	\$ -	\$ 894,390	\$ 894,390	\$ 312,366	\$ -
Special Education - Grants to States	I	84.027	062-21-0-010	B	820,064	340,408	248,174	92,234	92,234	-	-
Special Education Preschool Grants	I	84.173	131-21-0-010	C	5,712	5,712	-	5,712	5,712	-	-
Passed Through Intermediate Unit #13:											
Special Education - Grants to States	I	84.027	062-22-0-033	C	10,000	10,000	-	10,000	10,000	-	-
Total Special Education Cluster (IDEA)						938,144	248,174	1,002,336	1,002,336	312,366	-
Total U.S. Department of Education						5,057,688	3,413,752	5,114,040	5,114,040	3,470,104	-
U.S. Department of Health and Human Services, Medicaid Cluster											
Passed Through PA Department of Health and Human Services:											
COVID-19 - Medical Assistance (ACCESS), Medicaid Cluster	I	93.778	044-007418	C	10,470	10,470	5,522	10,967	10,967	6,019	-
U.S. Department of Agriculture											
Passed Through PA Department of Education:											
COVID-19 - Pandemic EBT Administrative Costs	I	10.649	358-000	C	614	614	-	614	614	-	-
Child Nutrition Discretionary Grants	I	10.579	n/a	B	18,630	18,630	18,630	-	-	-	-
Child Nutrition Cluster:											
Passed Through PA Department of Education:											
COVID-19 - National School Lunch Program	I (F)	10.555	362-0000	C	NOTE 5	3,633,131	-	3,679,604	3,679,604	46,473	-
COVID-19 - School Breakfast Program	I (F)	10.553	365-0000	C	NOTE 5	955,440	-	970,234	970,234	14,794	-
COVID-19 - Summer Food Service Program for Children	I (F)	10.559	264-0000	C	NOTE 5	1,220,485	740,856	479,629	479,629	-	-
COVID-19 - National School Lunch Program	I (F)	10.555	356-000	C	NOTE 5	132,716	-	9,707	9,707	(123,009)	-
COVID-19 - National School Lunch Program	I (F)	10.555	357-000	C	NOTE 5	7,001	-	7,001	7,001	-	-
Passed Through the PA Department of Agriculture,											
COVID-19 - National School Lunch Program	I	10.555	110-14-800-2	C	NOTE 5	421,050	(41,218)	439,350	439,350	(22,918)	-
Total Child Nutrition Cluster						6,369,823	699,638	5,585,525	5,585,525	(84,660)	-
Total U.S. Department of Agriculture						6,389,067	718,268	5,586,139	5,586,139	(84,660)	-
Total						\$ 11,457,225	\$ 4,137,542	\$ 10,711,146	\$ 10,711,146	\$ 3,391,463	\$ -

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, 2022

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, 2022. 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 \$503,444 of ACCESS reimbursements for direct medical services.

4. Relationship to Federal Financial Reports

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

5. National School Lunch Program

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

State College Area School District

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

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

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

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

7. Indirect Cost Rate

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

State College Area School District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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
84.425	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, 2021 Single Audit.