

Audited
Financial
Statements

June 30,
2024

Red Lion Area School District



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Red Lion Area School District
Red Lion, Pennsylvania

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 18, the budgetary comparison schedule on page 66, and the schedules related to the pension and OPEB liabilities on pages 67 to 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Lion Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2024, on our consideration of Red Lion Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Red Lion Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red Lion Area School District's internal control over financial reporting and compliance.



York, Pennsylvania
November 8, 2024

RED LION AREA SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the School District. The first two statements are Government-wide financial statements that provide both short-term and long-term information about the School District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements. The governmental fund statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary funds statements offer short-term and long-term financial information about the activities the School District operates like a business, such as food services. Fiduciary fund statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, such as student activity funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Figure A-1

Components of the RLASD Financial Reports

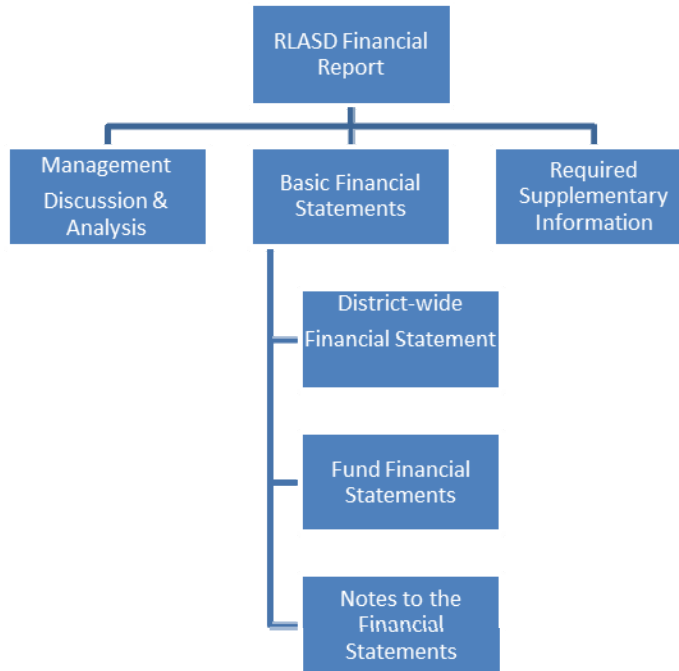


Figure A-2 (next page) summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

**Figure A-2 Major Features of Red Lion Area School District
Government-wide and Fund Financial Statements**

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	Activities of the School District that are not proprietary or fiduciary, such as general operating and capital projects.	Activities the School District operates similar to private businesses, such as food service.	Instances in which the School District administers resources on behalf of someone else, such as student activities programs.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Types of Assets/Liability Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Types of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions and deductions during year, regardless of when cash is received or paid.

RED LION AREA SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

Government-wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Net position, the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the condition or need for improvements or expansion of the existing school facilities.

The government-wide financial statements of the School District are divided into two categories. Governmental activities, including most of the School District's basic services, such as instruction, administration, and community services, are included here. Business-type activities (food service operation) charges fees to students, staff and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds. These statements focus on the School District's most significant or "major" funds – not on the School District as a whole. Funds are accounting components that the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District has three types of funds as follows:

Governmental funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the School District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. The Food Service Fund and the Insurance Fund make up the School District's proprietary funds and provide more detail and additional information, such as cash flows in comparison to the government-wide statements.

RED LION AREA SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

Fiduciary funds – The School District is the trustee, or fiduciary, for assets that belong to others, such as the student activity fund. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong; the School District cannot use these assets to finance its operations.

Financial Highlights

- The School District's total General Fund assets increased by \$ 1,536,646 during the 2023-24 fiscal year.
- Overall revenues for the General Fund totaled \$ 99,871,196 that was \$ 977,670 more than 2022-23. The change in revenue is due to the increase in interest income and State revenue for Basic Ed and Special Education.
- Total General Fund expenditures were \$ 98,734,071 (excluding transfers) that was \$ 309,445 more than 2022-23. The change is due to increases in wages, benefits, utilities, and cyber/charter tuition.
- At the end of the current fiscal year, the fund balance of the General Fund increased by \$ 1,339,585 to \$ 27,182,143. Included in this amount is \$ 3,311,466 committed for future retirement rate increases, \$ 2,000,000 committed for debt service, \$ 550,000 committed for Technology, \$ 228,393 non-spendable for prepaid expenditures and inventory, \$ 110,000 restricted for future completion of Deitz Road, \$ 12,904,327 assigned for 2024-25 budget deficit, retirement, debt service payments, and future capital projects, and unassigned amount of \$ 8,077,957.
- The School District utilizes an internal service fund to account for the Employee Healthcare Benefit Plan. All employee premiums and School District funding are sent to a Wilmington Trust Account. All claims and costs for healthcare are paid out of this account. The cash balance as of June 30, 2024 was \$ 3,894,377, a decrease of \$ 816,318 from June 30, 2023.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Financial Analysis of the School District as a Whole

Table A-1 shows the School District's full accrual financial position as of June 30, 2022, June 30, 2023, and June 30, 2024.

Table A-1 - Condensed Statement of Net Position

as of June 30	Governmental Activities			Business-Type Activities			Total		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Assets									
Current and Other Assets	\$ 47,640,671	\$ 48,073,797	\$ 47,998,390	\$ 3,895,299	\$ 4,669,782	\$ 4,967,135	\$ 51,535,970	\$ 52,743,579	\$ 52,965,525
Noncurrent Assets	86,396,224	84,274,762	81,556,585	86,378	197,838	343,339	86,482,602	84,472,600	81,899,924
Total Assets	\$ 134,036,895	\$ 132,348,559	\$ 129,554,975	\$ 3,981,677	\$ 4,867,620	\$ 5,310,474	\$ 138,018,572	\$ 137,216,179	\$ 134,865,449
Deferred Outflows of Resources	\$ 30,138,411	\$ 24,529,175	\$ 22,072,087	\$ 694,041	\$ 720,857	\$ 591,777	\$ 30,832,452	\$ 25,250,032	\$ 22,663,864
Total Assets and Deferred Outflows of Resources	\$ 164,175,306	\$ 156,877,734	\$ 151,627,062	\$ 4,675,718	\$ 5,588,477	\$ 5,902,251	\$ 168,851,024	\$ 162,466,211	\$ 157,529,313
Liabilities									
Current Liabilities	\$ 19,151,705	\$ 19,453,212	\$ 19,265,311	\$ 79,828	\$ 213,290	\$ 78,034	\$ 19,231,533	\$ 19,666,502	\$ 19,343,345
Long-Term Liabilities	145,352,796	141,637,070	130,178,694	2,424,051	2,709,089	2,598,656	147,776,847	144,346,159	132,777,350
Total Liabilities	\$ 164,504,501	\$ 161,090,282	\$ 149,444,005	\$ 2,503,879	\$ 2,922,379	\$ 2,676,690	\$ 167,008,380	\$ 164,012,661	\$ 152,120,695
Deferred Inflows of Resources	\$ 26,236,114	\$ 13,403,621	\$ 13,065,038	\$ 739,495	\$ 386,241	\$ 273,796	\$ 26,975,609	\$ 13,789,862	\$ 13,338,834
Net Position									
Net investment in capital assets	\$ 56,256,187	\$ 61,290,661	\$ 66,352,983	\$ 86,378	\$ 197,838	\$ 343,339	\$ 56,342,565	\$ 61,488,499	\$ 66,696,322
Restricted	10,642,302	10,179,584	8,727,834	154,376	104,748	49,448	10,796,678	10,284,332	8,777,282
Unrestricted (Deficit)	(93,463,798)	(89,086,414)	(85,962,798)	1,191,590	1,977,271	2,558,978	(92,272,208)	(87,109,143)	(83,403,820)
Total Net Position	\$ (26,565,309)	\$ (17,616,169)	\$ (10,881,981)	\$ 1,432,344	\$ 2,279,857	\$ 2,951,765	\$ (25,132,965)	\$ (15,336,312)	\$ (7,930,216)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 164,175,306	\$ 156,877,734	\$ 151,627,062	\$ 4,675,718	\$ 5,588,477	\$ 5,902,251	\$ 168,851,024	\$ 162,466,211	\$ 157,529,313

* - net of eliminations

The School District's pension activity continues to have a significant impact on the Statement from when it was implemented June 30, 2015.

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining net position consists of unrestricted amount, except for \$ 8,777,282 restricted for future capital expenditures and health insurance expenditures. The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, in order to see our total revenues for the year. The table also presents the expenses of both the Governmental Activities and the Business-type Activities of the School District.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Table A-2 - Statement of Activities

Years ended June 30:	Governmental Activities			Business-Type Activities			Total		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Program Revenue:									
Charges for services	\$ 344,167	\$ 413,230	\$ 401,664	\$ 206,023	\$ 1,071,967	\$ 929,184	\$ 550,190	\$ 1,485,197	\$ 1,330,848
Operating grants and contributions	22,701,278	23,164,027	21,842,257	3,751,547	2,746,789	2,740,943	26,452,825	25,910,816	24,583,200
Capital grants and contributions	1,133,008	889,247	1,056,927	-	-	-	1,133,008	889,247	1,056,927
General Revenue:									
Property taxes	53,000,150	52,769,988	53,330,629	-	-	-	53,000,150	52,769,988	53,330,629
Grants and entitlements	17,905,116	19,237,359	20,354,898	-	-	-	17,905,116	19,237,359	20,354,898
Other	721,295	2,636,983	3,330,827	3,645	137,873	225,295	724,940	2,774,856	3,556,122
Total Revenue	95,805,014	99,110,834	100,317,202	3,961,215	3,956,629	3,895,422	99,766,229	103,067,463	104,212,624
Program Expense:									
Instruction	59,655,918	58,372,451	62,231,529	-	-	-	59,655,918	58,372,451	62,231,529
Support Services:									
Instructional student support	7,645,816	7,721,572	7,407,956	-	-	-	7,645,816	7,721,572	7,407,956
Administrative and financial support	5,001,794	4,574,439	4,890,919	-	-	-	5,001,794	4,574,439	4,890,919
Operation and maintenance	9,421,215	9,636,188	10,129,506	-	-	-	9,421,215	9,636,188	10,129,506
Pupil transportation	4,874,552	5,122,625	5,241,142	-	-	-	4,874,552	5,122,625	5,241,142
Student activities	1,445,250	1,354,730	1,336,188	-	-	-	1,445,250	1,354,730	1,336,188
Community services	23,077	20,880	25,400	-	-	-	23,077	20,880	25,400
Central and other support services	2,114,468	2,973,146	2,090,923	-	-	-	2,114,468	2,973,146	2,090,923
Interest on long term debt	642,608	410,230	313,268	-	-	-	642,608	410,230	313,268
Food service	-	-	-	2,692,106	3,109,111	3,244,693	2,692,106	3,109,111	3,244,693
Total Expenses	90,824,698	90,186,261	93,666,831	2,692,106	3,109,111	3,244,693	93,516,804	93,295,372	96,911,524
Transfers (out) in	(11,154)	-	(21,178)	11,154	-	21,178	-	-	-
Change in Net Position	<u>\$ 4,969,162</u>	<u>\$ 8,924,573</u>	<u>\$ 6,629,193</u>	<u>\$ 1,280,263</u>	<u>\$ 847,518</u>	<u>\$ 671,907</u>	<u>\$ 6,249,425</u>	<u>\$ 9,772,091</u>	<u>\$ 7,301,100</u>

Table A-3 shows the School District's nine largest functions – Instruction, Instructional Student Support, Administration and Financial Support, Operation and Maintenance of Plant, Pupil Transportation, Student Activities, Community Services, Central and Other Support, and Interest on Long Term Debt. This table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Table A-3 Net Cost of Services

Governmental Activities	Total Cost of Services					
	2022		2023		2024	
Instruction	\$ 59,655,918	3.1%	\$ 58,372,451	(2.2%)	\$ 62,231,529	6.6%
Support Services:						
Instructional student support	7,645,816	(1.3%)	7,721,572	1.0%	7,407,956	(4.1%)
Administrative and financial support	5,001,794	9.0%	4,574,439	(8.5%)	4,890,919	6.9%
Operation and maintenance	9,421,215	7.8%	9,636,188	2.3%	10,129,506	5.1%
Pupil transportation	4,874,552	3.2%	5,122,625	5.1%	5,241,142	2.3%
Student activities	1,445,250	77.7%	1,354,730	(6.3%)	1,336,188	(1.4%)
Community services	23,077	(45.6%)	20,880	(9.5%)	25,400	21.6%
Central and other support services	2,114,468	(0.3%)	2,973,146	40.6%	2,090,923	(29.7%)
Interest on long term debt	642,608	(14.7%)	410,230	(36.2%)	313,268	(23.6%)
Total Governmental Activities	\$ 90,824,698	3.5%	\$ 90,186,261	(0.7%)	\$ 93,666,831	3.9%

	Net Cost of Services					
	2022		2023		2024	
Instruction	\$ 46,018,574	3.1%	\$ 47,018,949	3.1%	\$ 50,561,668	3.1%
Support Services:						
Instructional student support	2,653,133	(1.3%)	1,805,587	(1.3%)	1,530,200	(1.3%)
Administrative and financial support	4,232,535	9.0%	2,772,783	9.0%	3,786,712	9.0%
Operation and maintenance	8,871,914	7.8%	8,012,798	7.8%	9,453,914	7.8%
Pupil transportation	2,096,146	3.2%	2,600,288	3.2%	2,682,788	3.2%
Student activities	1,158,554	77.7%	1,030,811	77.7%	1,003,068	77.7%
Community services	(8,679)	(45.6%)	(15,588)	(45.6%)	369	(45.6%)
Central and other support services	2,114,468	(0.3%)	2,973,146	(0.3%)	2,090,923	(0.3%)
Interest on long term debt	(490,400)	(14.7%)	(479,017)	(14.7%)	(743,659)	(14.7%)
Total Governmental Activities	\$ 66,646,245	3.5%	\$ 65,719,757	3.5%	\$ 70,365,983	3.5%

The Statement of Revenues, Expenses, and Changes in Fund Net Position for the proprietary funds will further detail the results of those operations.

Financial Highlights of the School District Funds

Four separate funds are maintained in order to provide services for the School District. Two of these funds are included in the governmental group: General Fund and Capital Projects. The third and fourth are Proprietary Funds for food services and health insurance. At June 30, 2024, the School District's governmental funds reported a combined fund balance of \$ 33,060,807.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

During the fiscal year, the Board of School Directors authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is shown in the financial statements.

- a. **General Fund Highlights.** Actual 2023-2024 total revenue (\$ 99,871,196) increased by 1.0% over the amount received in 2022-2023 (\$ 98,893,526). This was a result of the increase in interest income and State revenue for Basic Education and Special Education. During the 2023-2024 fiscal year total expenditures (\$ 98,734,071) increased by 0.32% over the amount expended in 2022-2023 (\$ 98,424,626). The increase is due to increases in wages, benefits, utilities, and cyber/charter tuition.

Table A-4 Budget Performance

	Final Budget	Actual	Variance	Percent	Variance Explanation
Revenue					
Local Revenue	\$ 56,236,345	\$ 57,988,050	\$ 1,751,705	3.1%	EIT and Interest Income
State Revenue	38,518,755	39,522,994	1,004,239	2.6%	
Federal Revenue	<u>2,167,800</u>	<u>2,360,152</u>	<u>192,352</u>	<u>8.9%</u>	ESSER Revenue
	<u>\$ 96,922,900</u>	<u>\$ 99,871,196</u>	<u>\$ 2,948,296</u>	<u>3.0%</u>	
Expenditures					
Instruction	\$ 62,185,975	\$ 62,161,866	\$ (24,109)	(0.0%)	
Support Services	28,471,192	27,264,818	(1,206,374)	(4.2%)	Salaries and Benefits
Non-Instructional Services	1,536,577	1,457,500	(79,077)	(5.1%)	
Debt Service	<u>7,856,256</u>	<u>7,849,887</u>	<u>(6,369)</u>	<u>(0.1%)</u>	
	<u>\$ 100,050,000</u>	<u>\$ 98,734,071</u>	<u>\$ (1,315,929)</u>	<u>(1.3%)</u>	

- b. **Capital Projects Fund Highlights.** The fund balance decreased from \$ 6,700,433 on June 30, 2023 to \$ 5,878,664 on June 30, 2024. Funds were used to pay for the replacement of the Senior High Natatorium Roof, window replacements at North Hopewell-Winterstown Elementary and Education Center, and two (2) fire alarm panel replacements.
- c. **Proprietary/Food Service Highlights.** The Food Service program had a change in net position of \$ 684,420 during 2023-2024. The overall program revenue had a \$ 61,655 decrease from 2022-2023 (excluding transfers). Total operating expenses increased \$ 125,732 from 2022-2023. The change in expenses is due to increases in salaries, benefits, and food/supply costs.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Capital Assets and Debt Administration

- a. Assets at June 30, 2024, the School District had \$ 81,894,687 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deletions, and depreciation/amortization) of \$ 2,562,451.

**Table A-5 Capital Assets
Governmental Activities
(at net)**

	2022	2023	2024
Land and improvements	\$ 9,242,553	\$ 8,937,261	\$ 8,652,993
Buildings and improvements	76,300,768	74,232,253	72,172,216
Furniture, equipment and vehicles	708,391	615,033	365,735
Right-to-use asset - equipment	144,512	98,839	53,291
Right-to-use asset - IT subscriptions	-	375,914	165,290
Construction in process	-	-	141,823
Total	<u>\$ 86,396,224</u>	<u>\$ 84,259,300</u>	<u>\$ 81,551,348</u>

Business-Type Activities

	2022	2023	2024
Furniture and equipment	\$ 86,378	\$ 197,838	\$ 343,339
Total	<u>\$ 86,378</u>	<u>\$ 197,838</u>	<u>\$ 343,339</u>

Total Activities

	2022	2023	2024
Land and improvements	\$ 9,242,553	\$ 8,937,261	\$ 8,652,993
Buildings and improvements	76,300,768	74,232,253	72,172,216
Furniture, equipment and vehicles	794,769	812,871	709,074
Right-to-use asset - equipment	-	98,839	53,291
Right-to-use asset - IT subscriptions	-	375,914	165,290
Construction in process	-	-	141,823
Total	<u>\$ 86,338,090</u>	<u>\$ 84,457,138</u>	<u>\$ 81,894,687</u>

- a. **Debt Administration.** As of June 30, 2024, the School District had total outstanding bond principal of \$ 14,686,000.

Table A-6 Outstanding Debt

	2022	2023	2024
General Obligation Bonds and Notes			
Series of 2016B	\$ 3,005,000	\$ -	\$ -
Series of 2019	11,720,000	11,660,000	11,650,000
Series of 2020 A and B	10,243,000	6,568,000	3,036,000
Series of 2021	4,255,000	3,798,388	-
Total Outstanding Debt (Principal Only)	<u>\$ 29,223,000</u>	<u>\$ 22,026,388</u>	<u>\$ 14,686,000</u>

RED LION AREA SCHOOL DISTRICT

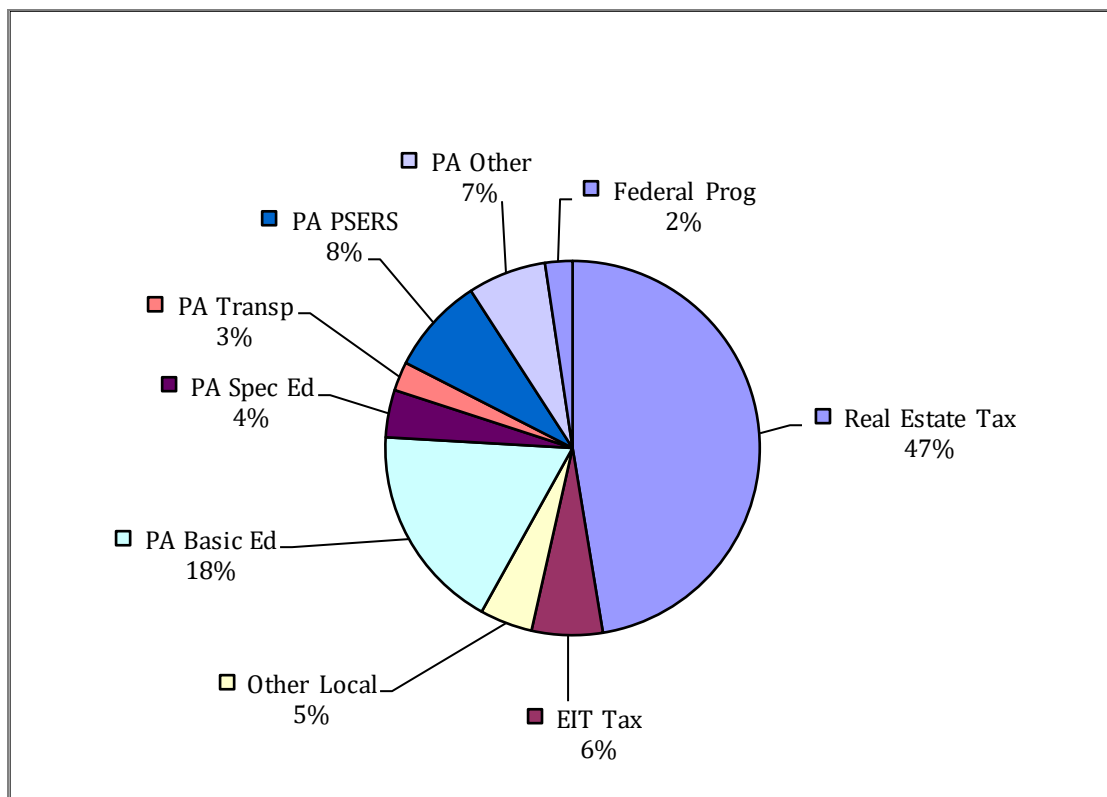
Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

Looking Back, Then Forward

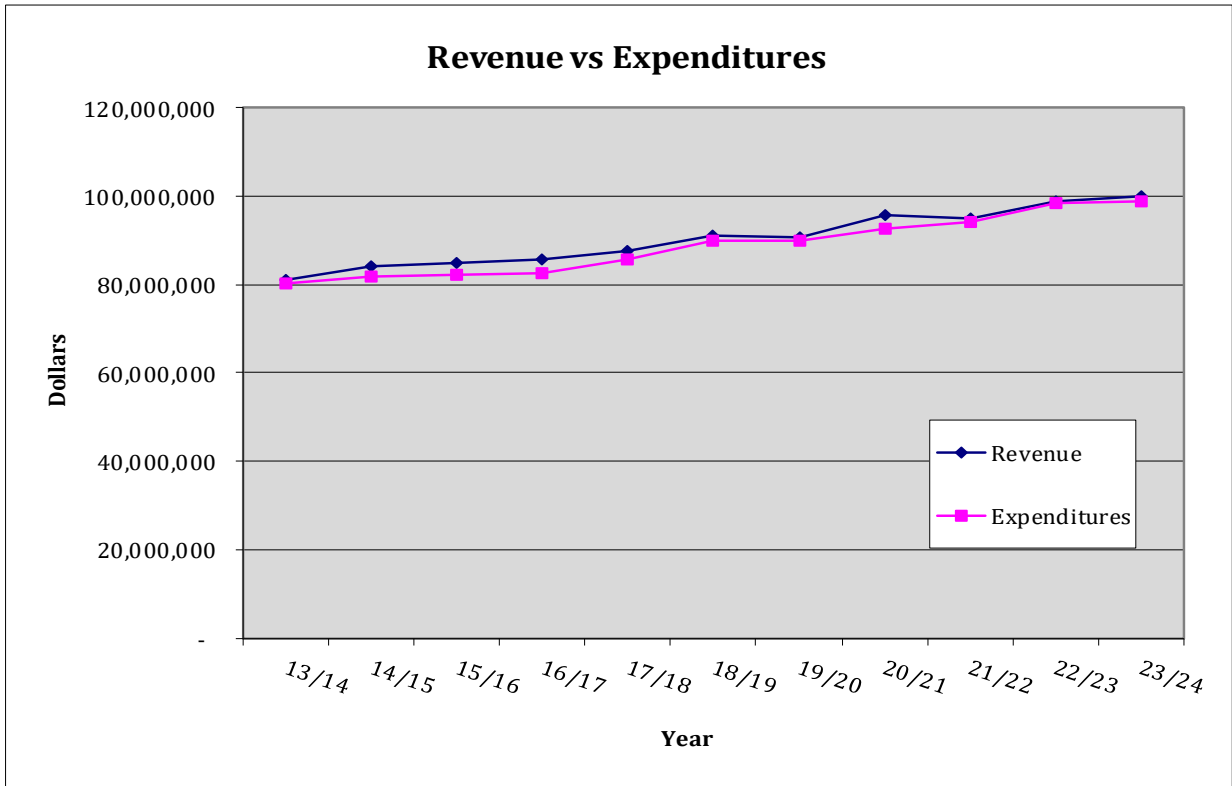
The School District relies principally on taxes and state subsidies to fund its programs. Looking at the future, taxes are now the major source of revenue (47%) with the total local contribution now at 58%. The state share in 23-24 is 40% of total revenue. As the School Board struggles to meet the ever-widening gulf between increasing mandates and real dollar decreases in subsidy, they are forced to look to the taxpayer to fund steadily rising costs in energy, cyber/charter tuition, special education, collective bargaining agreements, employee health insurance programs, and social services. On the tax side of the revenue picture, the Act 1 cap does allow local revenue to keep pace with inflation; however, it does not allow School Boards to make up for the declining subsidy support – especially since the state is not reducing mandates. The bottom line is that under Act 1, any additional program costs will require an equivalent cut in another area to maintain budget parity.

Chart A-1 2023-24 Revenue



RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

The chart below shows that during the past ten years, the revenues have exceeded the expenditures and have increased the taxpayer equity in the School District. Most of this equity has been reserved within the General Fund's fund balance to assist with future debt service payments and estimated payment increases to the Pennsylvania State Employee Retirement System.



RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Expenditures

Below are two graphs of expenditures including an eleven-year history for comparison.

Chart A-3 (a) Regular Education/Special Education Actual Expenditures

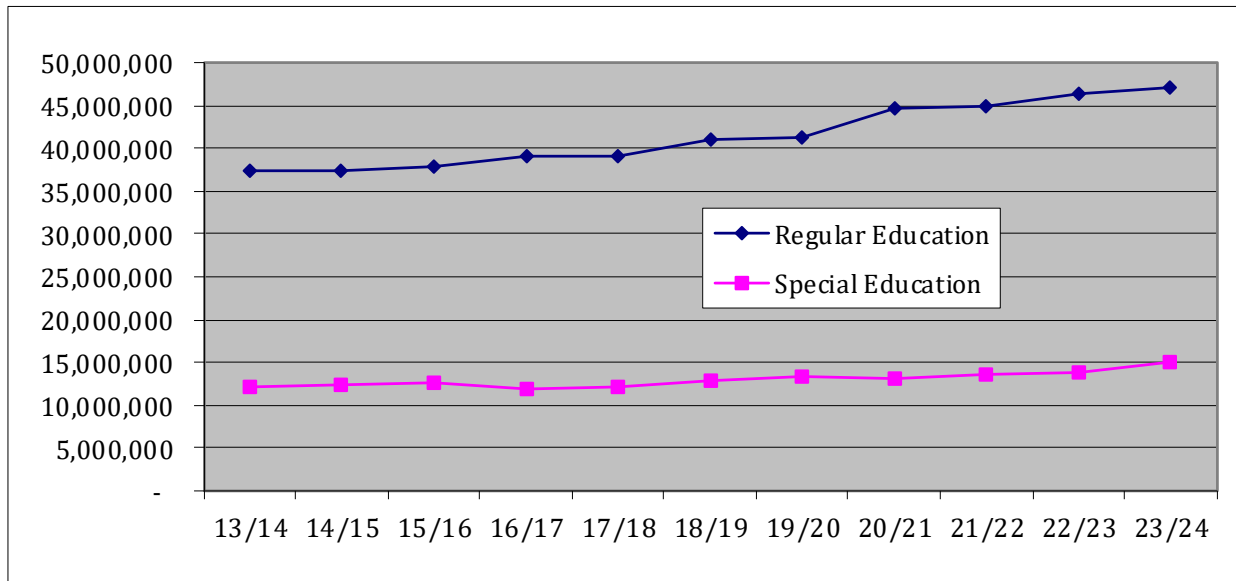
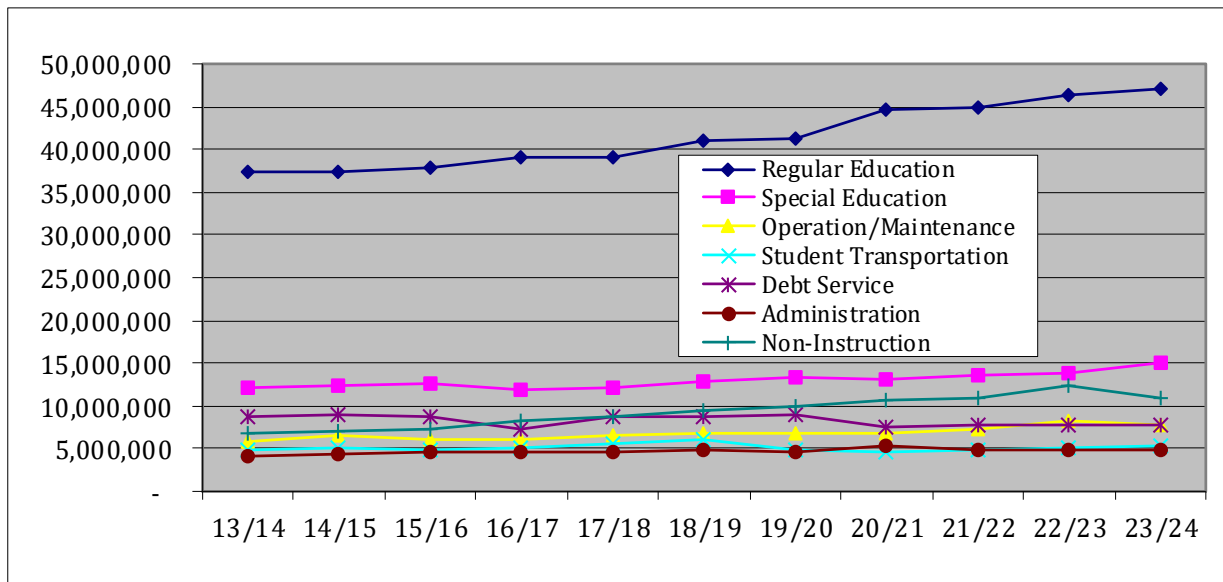


Chart A-3(b) Total Expenditures

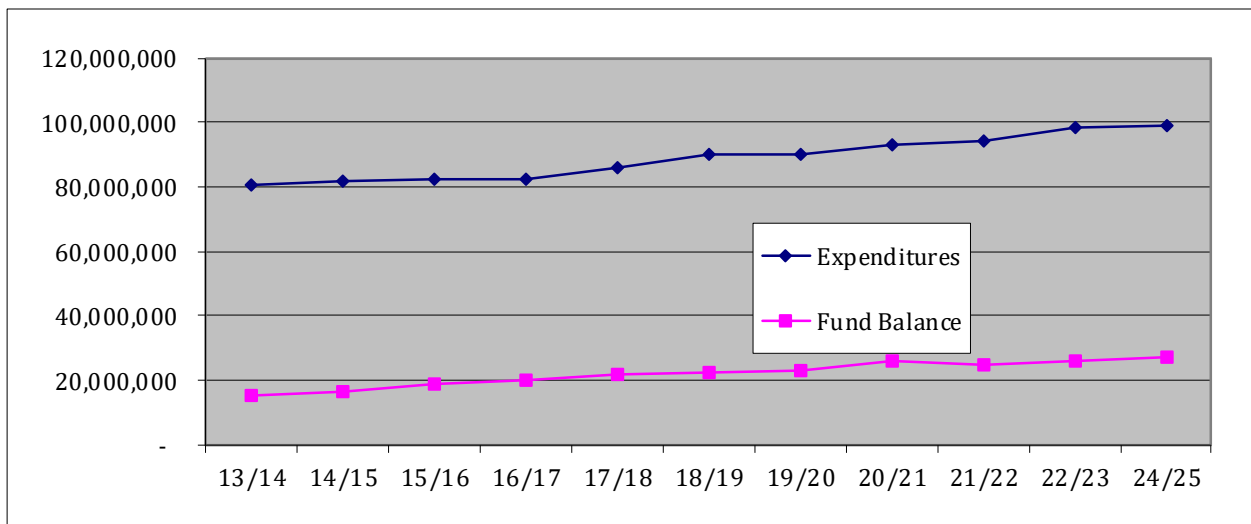


RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Reserve Funds

Below is a look at taxpayer equity in the School District. The School District has committed the following fund balance amounts: \$ 3,311,466 for future Pennsylvania State Employer Retirement System (PSERS) payments, \$ 2,000,000 for debt service payments, and \$ 550,000 for technology purchases. Restricted is \$ 110,000 for the future completion of Dietz Road. The School District has assigned \$ 3,041,000 to balance the 2024-25 budget, \$ 1,716,106 to fund future payments to the Pennsylvania State Employee Retirement System, \$ 250,000 for future debt payments, \$ 1,300,000 for future self-insurance health costs, and \$ 6,597,221 for future capital improvement projects. Also, the School District has a non-spendable fund balance designated of \$ 228,393 for prepaid expenditures and inventory. The balance, \$ 8,077,957 is unassigned and can be used to fund emergencies or balance future budgets as determined by the School Board. The unassigned fund balance is 7.8% of the current year operating budget which complies with the Pennsylvania Department of Education’s recommendation and School Board policy 620 – Fund Balance.

Chart A-4 Expenditures vs Fund Balance
Challenges Going Forward



- The cost of Collective Bargaining Agreements (CBA) remains the single biggest expenditure to the School District. The CBA with the teaching staff was signed on December 19, 2019 and expired on June 30, 2024. Negotiations are currently on-going.
- The Pennsylvania State Employee Retirement System employer contribution rate decreased to 33.9% in 2024-2025. Based upon salaries paid in 2010-2011 that would equate to a decrease in the employer/state retirement contributions by \$ 33,621 or 0.3% over 2023-2024. We consistently use 2010-2011 as the “payroll year” to complete comparisons. This is the same payroll year that is used for ACT 1 exceptions.
- In the current economy, the School District’s real estate taxes are forecasted to hold steady. Interest income will continue to see ups and down dependent on rates established by government. Supply chain issues and labor shortages will cause supply costs to increase. We also anticipate continued increases in Cyber/Charter tuition costs, special education expenses, and utilities.

RED LION AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Tonja Wheeler, Chief Financial Officer at Red Lion Area School District, 696 Delta Road, Red Lion, PA 17356, (717) 244-4518.

RED LION AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 40,591,532	\$ 4,902,444	\$ 45,493,976
Receivables			
Taxes, net	2,400,315	-	2,400,315
Intergovernmental	4,653,346	-	4,653,346
Other	114,477	4,402	118,879
Leases	10,225	-	10,225
Internal balances	102	(102)	-
Prepaid items	51,274	-	51,274
Inventories	177,119	60,391	237,510
Total current assets	<u>47,998,390</u>	<u>4,967,135</u>	<u>52,965,525</u>
Noncurrent Assets			
Leases receivable	5,237	-	5,237
Capital assets not being depreciated			
Land	6,956,596	-	6,956,596
Construction in progress	141,823	-	141,823
Capital assets net of accumulated depreciation/amortization			
Site improvements	1,696,397	-	1,696,397
Buildings and building improvements	72,172,216	-	72,172,216
Furniture and equipment	257,040	343,339	600,379
Vehicles	108,695	-	108,695
Right-to-use asset - equipment	53,291	-	53,291
Right-to-use asset - IT subscriptions	165,290	-	165,290
Total noncurrent assets	<u>81,556,585</u>	<u>343,339</u>	<u>81,899,924</u>
Total assets	<u>129,554,975</u>	<u>5,310,474</u>	<u>134,865,449</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	19,466,260	533,989	20,000,249
Deferred outflows related to OPEB liability	2,605,827	57,788	2,663,615
Total deferred outflows of resources	<u>22,072,087</u>	<u>591,777</u>	<u>22,663,864</u>
Total assets and deferred outflows of resources	<u>\$ 151,627,062</u>	<u>\$ 5,902,251</u>	<u>\$ 157,529,313</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,597,540	\$ 20,699	\$ 1,618,239
Accrued salaries and benefits/withholdings	9,613,589	1,982	9,615,571
Accrued interest	180,213	-	180,213
Unearned revenues	14,691	50,198	64,889
Portion due or payable within one year			
Bonds and notes payable	7,199,851	-	7,199,851
Lease obligation	47,833	-	47,833
IT subscription liability	34,113	-	34,113
Compensated absences	423,192	2,335	425,527
OPEB liability	154,289	2,820	157,109
Total current liabilities	<u>19,265,311</u>	<u>78,034</u>	<u>19,343,345</u>
Noncurrent Liabilities			
Portion due or payable after one year			
Bonds and notes payable	7,824,746	-	7,824,746
Lease obligation	8,160	-	8,160
IT subscription liability	83,662	-	83,662
Compensated absences	657,792	18,062	675,854
Net pension liability	113,250,659	2,413,929	115,664,588
OPEB liability	8,353,675	166,665	8,520,340
Total noncurrent liabilities	<u>130,178,694</u>	<u>2,598,656</u>	<u>132,777,350</u>
Total liabilities	<u>149,444,005</u>	<u>2,676,690</u>	<u>152,120,695</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	13,845	-	13,845
Deferred inflows related to pension liability	5,865,473	128,987	5,994,460
Deferred inflows related to OPEB liability	7,185,720	144,809	7,330,529
Total deferred inflows of resources	<u>13,065,038</u>	<u>273,796</u>	<u>13,338,834</u>
NET POSITION			
Net investment in capital assets	66,352,983	343,339	66,696,322
Restricted	8,727,834	49,448	8,777,282
Unrestricted	<u>(85,962,798)</u>	<u>2,558,978</u>	<u>(83,403,820)</u>
Total net position	<u>(10,881,981)</u>	<u>2,951,765</u>	<u>(7,930,216)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 151,627,062</u>	<u>\$ 5,902,251</u>	<u>\$ 157,529,313</u>

RED LION AREA SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
Instruction	\$ 62,231,529	\$ 187,409	\$ 11,482,452	\$ -	\$ (50,561,668)	\$ -	\$ (50,561,668)
Instructional student support	7,407,956	-	5,877,756	-	(1,530,200)	-	(1,530,200)
Administrative and financial support services	4,890,919	-	1,104,207	-	(3,786,712)	-	(3,786,712)
Operation and maintenance of plant services	10,129,506	28,790	646,802	-	(9,453,914)	-	(9,453,914)
Pupil transportation	5,241,142	-	2,558,354	-	(2,682,788)	-	(2,682,788)
Student activities	1,336,188	185,465	147,655	-	(1,003,068)	-	(1,003,068)
Community services	25,400	-	25,031	-	(369)	-	(369)
Central and other support services	2,090,923	-	-	-	(2,090,923)	-	(2,090,923)
Interest	313,268	-	-	1,056,927	743,659	-	743,659
Total governmental activities	<u>93,666,831</u>	<u>401,664</u>	<u>21,842,257</u>	<u>1,056,927</u>	<u>(70,365,983)</u>	<u>-</u>	<u>(70,365,983)</u>
Business-type activities							
Food service	<u>3,244,693</u>	<u>929,184</u>	<u>2,740,943</u>	<u>-</u>	<u>-</u>	<u>425,434</u>	<u>425,434</u>
Total primary government	<u>\$ 96,911,524</u>	<u>\$ 1,330,848</u>	<u>\$ 24,583,200</u>	<u>\$ 1,056,927</u>	<u>(70,365,983)</u>	<u>425,434</u>	<u>(69,940,549)</u>
General revenues and transfers							
Property taxes levied for general purposes, public utility realty tax, and earned income tax					\$ 53,330,629	\$ -	\$ 53,330,629
Grants, subsidies, and contributions not restricted					20,354,898	-	20,354,898
Investment earnings					2,837,433	225,295	3,062,728
Miscellaneous income					493,394	-	493,394
Transfers					(21,178)	21,178	-
Total general revenues and transfers					<u>76,995,176</u>	<u>246,473</u>	<u>77,241,649</u>
Change in net position					6,629,193	671,907	7,301,100
Net position - beginning, as restated					<u>(17,511,174)</u>	<u>2,279,858</u>	<u>(15,231,316)</u>
Net position - ending					<u>\$ (10,881,981)</u>	<u>\$ 2,951,765</u>	<u>\$ (7,930,216)</u>

RED LION AREA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 30,872,534	\$ 5,893,676	\$ 36,766,210
Taxes receivable, net	2,400,315	-	2,400,315
Due from other funds	15,114	-	15,114
State subsidies receivable	4,129,747	-	4,129,747
Federal subsidies receivable	523,599	-	523,599
Lease receivable	15,462	-	15,462
Other receivables	114,477	-	114,477
Prepaid expenditures	51,274	-	51,274
Inventories	177,119	-	177,119
Total assets	<u>\$ 38,299,641</u>	<u>\$ 5,893,676</u>	<u>\$ 44,193,317</u>
LIABILITIES			
Accounts payable	\$ 511,388	\$ -	\$ 511,388
Due to other funds	-	15,012	15,012
Accrued salaries and benefits/withholdings	9,613,589	-	9,613,589
Unearned revenue	14,691	-	14,691
Total liabilities	<u>10,139,668</u>	<u>15,012</u>	<u>10,154,680</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	13,845	-	13,845
Unavailable revenue	963,985	-	963,985
Total deferred inflows of resources	<u>977,830</u>	<u>-</u>	<u>977,830</u>
FUND BALANCES			
Nonspendable	228,393	-	228,393
Restricted	110,000	5,878,664	5,988,664
Committed	5,861,466	-	5,861,466
Assigned	12,904,327	-	12,904,327
Unassigned	8,077,957	-	8,077,957
Total fund balances	<u>27,182,143</u>	<u>5,878,664</u>	<u>33,060,807</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 38,299,641</u>	<u>\$ 5,893,676</u>	<u>\$ 44,193,317</u>

RED LION AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2024

Total fund balances - Governmental funds \$ 33,060,807

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund balance sheet, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	156,984,686	
Accumulated depreciation/amortization	<u>(75,433,338)</u>	81,551,348

An internal service fund is used by management to pay for health insurance costs. The portion of net position of the internal service fund related to the governmental funds are included in the governmental activities in the Statement of Net Position.

2,739,170

Certain taxes and other receivables are not available to pay current period expenditures and therefore are deferred in the fund financial statements, but are reported as revenue in governmental activities of the Statement of Net Position.

963,985

Long-term liabilities and other payables are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related accrued interest consist of:

Bonds and notes payable	(15,024,597)	
Lease obligations	(55,993)	
IT subscription liability	(117,775)	
Compensated absences	(1,080,984)	
Net pension liability	(113,250,659)	
Deferred outflows related to pension liability	19,466,260	
Deferred inflows related to pension liability	(5,865,473)	
OPEB liability	(8,507,964)	
Deferred outflows related to OPEB liability	2,605,827	
Deferred inflows related to OPEB liability	(7,185,720)	
Accrued interest	<u>(180,213)</u>	<u>(129,197,291)</u>

Total net position - governmental activities \$ (10,881,981)

RED LION AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Local revenues			
Taxes	\$ 53,460,005	\$ -	\$ 53,460,005
Investment earnings	2,339,881	316,987	2,656,868
Federal revenue from intermediate sources	1,292,550	-	1,292,550
Other	895,614	202	895,816
State sources	39,522,994	-	39,522,994
Federal sources	<u>2,360,152</u>	<u>-</u>	<u>2,360,152</u>
Total revenues	<u>99,871,196</u>	<u>317,189</u>	<u>100,188,385</u>
EXPENDITURES			
Instruction	62,002,279	-	62,002,279
Support services	27,264,818	-	27,264,818
Operation of noninstructional services	1,457,500	-	1,457,500
Facilities acquisition, construction, and improvements	-	1,204,952	1,204,952
Subscription-based IT arrangements outlay	159,587	-	159,587
Debt service	<u>7,849,887</u>	<u>-</u>	<u>7,849,887</u>
Total expenditures	<u>98,734,071</u>	<u>1,204,952</u>	<u>99,939,023</u>
Excess (deficiency) of revenues over expenditures	<u>1,137,125</u>	<u>(887,763)</u>	<u>249,362</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from subscription-based IT arrangements	159,587	-	159,587
Refund of prior year (receipts) expenditures	(6,370)	65,994	59,624
Transfers	(21,178)	-	(21,178)
Proceeds from the sale of capital assets	<u>70,421</u>	<u>-</u>	<u>70,421</u>
Total other financing sources (uses)	<u>202,460</u>	<u>65,994</u>	<u>268,454</u>
Net change in fund balances	<u>1,339,585</u>	<u>(821,769)</u>	<u>517,816</u>
Fund balances - beginning	<u>25,842,558</u>	<u>6,700,433</u>	<u>32,542,991</u>
Fund balances - ending	<u>\$ 27,182,143</u>	<u>\$ 5,878,664</u>	<u>\$ 33,060,807</u>

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

Net change in fund balances - Total governmental funds: \$ 517,816

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, in the Statement of Activities, the outlay is allocated over the assets estimated useful lives as depreciation/amortization expense for the period.

Capital outlays	\$ 1,301,749	
Depreciation/amortization expense	<u>(3,883,587)</u>	(2,581,838)

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net gain/(loss) applicable to the governmental activities is: (629,979)

Governmental funds do not present revenues that are unavailable to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (181,793)

Repayment of bond, lease, and IT subscription principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 7,502,264

Proceeds of subscription-based information technology arrangements provide current financial resources to governmental funds, but have no effect on net position. (159,587)

Governmental funds report prepaid bond insurance, issue costs, and bond discount/premium as expenditures and other financing uses or sources when the bonds are issued. However in the Statement of Activities the cost of those items are amortized over the life of the related bond. 196,488

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the

Compensated absences		(41,957)
Net pension liability and related deferred outflows and inflows		2,204,549
Net OPEB liability and related deferred outflows and inflows		(202,163)
Accrued interest and other payables		<u>5,393</u>

Change in net position - governmental activities **\$ 6,629,193**

RED LION AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2024

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Food</u>	<u>Insurance</u>
	<u>Service</u>	<u>Fund</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,833,389	\$ 3,894,377
Inventories	60,391	-
Other receivables	4,402	-
Total current assets	<u>4,898,182</u>	<u>3,894,377</u>
Noncurrent Assets		
Furniture and equipment, net	343,339	-
Total noncurrent assets	<u>343,339</u>	<u>-</u>
Total assets	<u>5,241,521</u>	<u>3,894,377</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liability	533,989	-
Deferred outflows related to OPEB liability	57,788	-
Total deferred outflows of resources	<u>591,777</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 5,833,298</u>	<u>\$ 3,894,377</u>
LIABILITIES		
Current Liabilities		
Accounts payable/accrued medical claims	\$ 1,092	\$ 1,105,759
Due to other funds	102	-
Accrued salaries and benefits	1,982	-
Compensated absences	2,335	-
Unearned revenues	50,198	-
OPEB liability - current portion	2,820	-
Total current liabilities	<u>58,529</u>	<u>1,105,759</u>
Noncurrent Liabilities		
Compensated absences	18,062	-
Net pension liability	2,413,929	-
OPEB liability	166,665	-
Total noncurrent liabilities	<u>2,598,656</u>	<u>-</u>
Total liabilities	<u>2,657,185</u>	<u>1,105,759</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liability	128,987	-
Deferred inflows related to OPEB liability	144,809	-
Total deferred inflows of resources	<u>273,796</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	343,339	-
Restricted	-	2,788,618
Unrestricted	2,558,978	-
Total net position	<u>2,902,317</u>	<u>2,788,618</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,833,298</u>	<u>\$ 3,894,377</u>
Net position above	\$ 2,902,317	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of the insurance (internal service) fund are included with business-type activities.	<u>49,448</u>	
Net position of business-type activities	<u>\$ 2,951,765</u>	

RED LION AREA SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Enterprise	Internal
	Food	Service
	Service	Insurance
	Fund	Fund
OPERATING REVENUE		
Charges for services/insurance premiums	\$ 934,982	\$ 10,051,084
Total operating revenues	<u>934,982</u>	<u>10,051,084</u>
OPERATING EXPENSES		
Salaries	838,036	-
Employee benefits	419,849	-
Food and milk purchases	1,773,891	-
General supplies and small equipment	133,169	-
Depreciation	28,772	-
Miscellaneous	35,203	-
Insurance claims	-	9,577,317
Administrative fees	-	1,078,952
Other medical costs	-	221,132
Total operating expenses	<u>3,228,920</u>	<u>10,877,401</u>
Operating income (loss)	<u>(2,293,938)</u>	<u>(826,317)</u>
NON-OPERATING REVENUES		
Federal subsidies	2,226,208	-
State subsidies	508,937	-
Transfers	21,178	-
Interest income	<u>222,035</u>	<u>183,825</u>
Total non-operating revenue	<u>2,978,358</u>	<u>183,825</u>
Change in net position	<u>684,420</u>	<u>(642,492)</u>
Total net position - beginning	<u>2,217,897</u>	<u>3,431,110</u>
Total net position - ending	<u>\$ 2,902,317</u>	<u>\$ 2,788,618</u>
Change in net position above	\$ 684,420	
Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of the insurance (internal service) fund are included with business-type activities.	<u>(12,513)</u>	
Change in net position of business-type activities	<u>\$ 671,907</u>	

RED LION AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2024

	<u>Enterprise Food Service</u>	<u>Internal Service Insurance Fund</u>
Cash flows from operating activities:		
Cash received from sales/insurance premiums	\$ 940,981	\$ 10,051,084
Cash payments to suppliers for goods and services	(1,778,044)	-
Cash payments to and on behalf of employees	<u>(1,348,721)</u>	<u>(11,051,227)</u>
Net cash (used) by operating activities	<u>(2,185,784)</u>	<u>(1,000,143)</u>
Cash flows from capital financing activities:		
Purchase of equipment	<u>(153,095)</u>	<u>-</u>
Net cash (used) by capital financing activities	<u>(153,095)</u>	<u>-</u>
Cash flows from noncapital financing activities:		
State subsidies	508,937	-
Federal subsidies	<u>1,921,526</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>2,430,463</u>	<u>-</u>
Cash flows from investing activities:		
Earnings on investments	<u>222,035</u>	<u>183,825</u>
Net cash provided by investing activities	<u>222,035</u>	<u>183,825</u>
Net increase in cash and cash equivalents	<u>313,619</u>	<u>(816,318)</u>
Cash and cash equivalents - beginning	<u>4,519,770</u>	<u>4,710,695</u>
Cash and cash equivalents - ending	<u>\$ 4,833,389</u>	<u>\$ 3,894,377</u>
Reconciliation of (loss) from operations to net cash (used) by operating activities		
Cash flows from operating activities:		
Operating loss	\$ (2,293,938)	\$ (826,317)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Donated inventory used	304,682	-
Depreciation	28,772	-
(Increase) decrease in:		
Other receivable	2,889	-
Inventories	2,537	-
Increase (decrease) in:		
Accounts payable/accrued medical claims	(137,828)	(173,826)
Interfund payable	(5,172)	-
Accrued salaries and benefits	26	-
Unearned revenues	3,110	-
Compensated absences	(8,973)	-
Net pension liability and related deferred inflows/outflows	(71,625)	-
OPEB liability and related deferred inflows/outflows	<u>(10,264)</u>	<u>-</u>
Total adjustments	<u>108,154</u>	<u>(173,826)</u>
Net cash (used) by operating activities	<u>\$ (2,185,784)</u>	<u>\$ (1,000,143)</u>

RED LION AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 177,224
Accounts receivable	<u>392</u>
Total assets	<u>\$ 177,616</u>
<hr/>	
NET POSITION	
Restricted for individuals and organizations	<u>\$ 177,616</u>
Total net position	<u>\$ 177,616</u>

RED LION AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Custodial Funds
ADDITIONS	
Sales	\$ 140,486
Contributions	13,021
Fundraiser income	81,411
Interest income	<u>3,259</u>
Total additions	<u>238,177</u>
DEDUCTIONS	
Contributions	3,918
Fundraisers	28,511
Miscellaneous expense	120,359
Scholarships	5,500
Supplies	81,082
Conferences	<u>535</u>
Total deductions	<u>239,905</u>
Change in net position	(1,728)
Net position - beginning	<u>179,344</u>
Net position - ending	<u>\$ 177,616</u>

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Red Lion Area School District (School District) operates a public school system which is comprised of the Boroughs of Red Lion, Windsor, Felton, and Winterstown, and the Townships of Chanceford, Lower Chanceford, Northern Hopewell and Windsor in York County, Pennsylvania.

The School District consists of Clearview, Larry J. Macaluso, Locust Grove, Mazie Gable, North Hopewell-Winterstown, Pleasant View and Windsor Manor Elementary Schools, Red Lion Area Junior High School and Red Lion Area Senior High School as well as the School District Administration Office.

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

Reporting Entity

The financial statements of the School District include all funds, functions, and activities to which the Board of Directors has oversight responsibility. The financial statements presented do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Red Lion Area School District.

Governmental Accounting Standards Board (GASB) statements define the criteria used to determine the composition of the reporting entity. These standards require the reporting entity to include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the above criteria, the School District is not included in any other governmental reporting entity and no entities are reported as a component unit of the School District.

Joint Ventures

The following joint ventures are not component units of Red Lion Area School District and are not included in this report.

York County School of Technology

The School District is one of fourteen member school districts participating in the operation of the York County School of Technology. The School is operated, administered, and managed by a joint operating committee consisting of board members from the fourteen member school districts. These members are elected by their individual school district board of directors. The School District's share of annual operating and capital costs for York County School of Technology are reflected as intergovernmental expenditures of the General Fund. During the year ended June 30, 2024, the School District paid \$ 3,424,630 to York County School of Technology for operating expenditures. In addition, the School District paid \$ 306,269 to the York County School of Technology Authority for debt service payments.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Ventures (Continued)

York/LIU Joint Authority

This is a separate legal entity organized by thirteen local school districts to provide services in York County. Each of the member school districts appoints one member to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the Authority's operations. During the year ended June 30, 2024, the School District paid \$ 67,250 to the York/LIU Joint Authority for these services.

Lincoln Intermediate Unit #12

This is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training. During the year ended June 30, 2024, the School District paid \$ 1,812,745 to the Lincoln Intermediate Unit.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office.

Fund Accounting

The accounts of Red Lion Area School District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

1. Governmental Funds

The School District reports the following major governmental funds:

a. General Fund

The General Fund accounts for all financial resources of the School District except those specifically required by law to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

b. Capital Project Funds

The Capital Improvement Fund is utilized to account for excess General Fund resources designated by board action for future capital improvement projects.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

2. Proprietary Funds

a. Enterprise Funds

The Enterprise Funds are unbudgeted funds used to account for all revenue and expenses pertaining to food service operations. The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that costs (expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered through user charges. The Food Service Fund is a modified Enterprise Fund because food service funds in Pennsylvania's Public School System depend on support from the state and federal subsidization in order to operate. The Food Service Fund accounts for the costs of providing meals to students during the school year. Revenue is received from payments for meals and from state and federal subsidies.

b. Internal Service Fund

This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of medical and dental insurance premiums and claims.

Policy for Defining Operating and Non-Operating Revenues of Proprietary Funds

The School District defines proprietary funds operating revenues based on how the individual transaction would be categorized for purposes of preparing the Statement of Cash Flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities or investing activities would normally not be reported as operating revenues.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Custodial funds are used to account for fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District reports the Student Activities Fund as a custodial fund.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. The statements include the primary government, except for the fiduciary funds of the primary government.

Separate rows and columns are used to distinguish between the governmental and business-type activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

These activities are usually reported in Governmental Funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in Enterprise Funds.

Measurement Focus and Basis of Accounting – Government-Wide Financial Statements -

The Statement of Net Position and Statement of Activities are prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB.

Policy for Eliminating Internal Activity – Government-Wide Financial Statements - In the process of aggregating data for the Statement of Net Position, some amounts reported as interfund balances in the funds are eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the “grossing-up” effect on the assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Program Revenues – Government-Wide Financial Statements - The Statement of Activities reports three categories of program revenues: (1) charges for services, (2) program specific operating grants and contributions and (3) program specific capital grants and contributions. Program revenues derive directly from the program itself or from parties outside the reporting government’s taxpayers or citizenry. As a whole, they reduce the net cost of the function to be financed from the government’s general revenues.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds of the School District are accounted for using a current financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the fund balances reflect spendable or appropriable resources. The operating statements of these funds reflect increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The proprietary fund and fiduciary fund are accounted for on a flow of economic resources measurement focus. All assets and liabilities (current and noncurrent) associated with the operation of the funds are included on its statement of net position. The Proprietary Fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual Basis - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other related grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred, and the revenue is available, which is generally 60 days; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Accrual Basis - Under the accrual basis of accounting, revenues are recognized in the accounting period they are earned and become measurable; expenses are recognized in the period incurred. The accrual basis of accounting is used for the proprietary fund and custodial funds.

Budgets and Budgetary Accounting

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

1. Formal budgetary integration is employed as a management control device during the year for the General Fund. This budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The Board of Directors approves the total budget appropriations and authorizes budget transfers. The level of budgetary responsibility is by total appropriation.
3. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
4. Unexpended appropriations at year-end lapse.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of 90 days or less.

Investments

The School District invests funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT). PSDLAF and PLGIT operate and are authorized under the Intergovernmental Cooperation Act of 1972.

These funds invest in federal securities backed by the full faith and credit of the United States Government, in agencies, instrumentalities and subdivisions of the Commonwealth of Pennsylvania and backed by the full faith and credit of the Commonwealth, and certificates of deposit which are insured by the Federal Deposit Insurance Corporation, or which are collateralized as provided by law of Act 72 of 1971.

Prepaid Items

In both government-wide and fund financial statements, prepaid items are recorded as assets in the specific fund in which future benefits will be derived.

Inventories

The General Fund inventory is valued at cost and consists of office and custodial supplies.

The Enterprise Fund inventory consists of government donated commodities which were valued at government declared value, as well as purchased commodities and supplies valued at cost.

Internal Balances/Activity

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Capital and Right-to-Use Assets

Capital and right-to-use assets, which include land, property, buildings, equipment, and IT subscriptions, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital and right-to-use assets are defined by the School District as assets with an initial, individual cost of more than \$ 7,500 and an estimated useful life in excess of one year. All capital and right-to-use assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and Right-to-Use Assets (Continued)

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

All capital and right-to-use assets except for land and construction in process are depreciated/amortized over the remaining useful lives of the related capital assets. Depreciation/Amortization is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and portable classrooms	25 - 30
Building improvements	15 - 30
Site improvements	20
Machinery and equipment	5 - 15
Vehicles	5 - 8
Right-to-use asset - leased equipment	4
Right-to-use asset - IT subscriptions	2 - 5
Furniture and fixtures	10 - 20

Under GAAP, capital assets are recorded as expenditures at the time of purchase in the Governmental Funds. Accordingly, no depreciation has been provided on capital assets in those funds. Proprietary fund capital assets are recorded at cost. Depreciation is provided for on a straight-line basis over periods ranging from 5 to 30 years. Donated capital assets are recorded at their acquisition value as of the date received.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discount are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and original issue discounts or premiums are reported as other financing sources or uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessee: The School District is a lessee for a noncancellable lease of equipment. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The School District is a lessor for a noncancellable lease of a farmland. The School District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the School District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the School District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The School District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription-based Information Technology Arrangements

The School District is a lessee for noncancellable arrangements for subscription-based information technology. The School District recognizes a subscription liability and an intangible right-to-use IT subscription asset (subscription asset) in the government-wide financial statements.

At the commencement of a subscription arrangement, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription arrangement commencement date, plus certain implementation stage costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscription arrangements include how the School District determines (1) the discount rate it uses to discount the expected subscription arrangement payments to present value, (2) subscription term, and (3) subscription payments.

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription arrangement. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and any renewal provisions that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its subscription arrangement and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category and various items related to the net pension liability and OPEB liability. These amounts will be amortized in future periods.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources consist of various items related to the pension liability and OPEB liability (on the statement of net position), unavailable revenue (on the balance sheet - governmental funds) and future revenues related to leases (on the statement of net position and the balance sheet for governmental funds).

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Statements which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSPERS) 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Employees of the School District are entitled to certain compensated absences, consisting of vacation and sick leave. Liability for compensated absences is accounted for in accordance with the provisions of GASB standards similar to long-term obligations described above. These statements require entities to accrue for employees' rights to receive compensated vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable. The accrued liability for vacation and sick leave is calculated based on the salary rates in effect at the balance sheet date. Additional amounts are accrued for salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date. The School District has accrued the employer's share of Social Security and Medicare taxes on these liabilities.

Other Postemployment Benefits Other Than Pensions

The School District provides postemployment benefits by permitting retired employees the ability to participate in the employee health plan through a single employer defined benefit other post-employment health plan (OPEB) at the same premium rate, albeit 100% paid for by the retirees. Consequently, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

The School District also participates in a governmental cost sharing multiple-employer OPEB plan with PSERS for all eligible employees who qualify and elect to participate.

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 and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Government-wide Financial Statements/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This component consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in the component of net position.

Restricted

This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

As of June 30, 2024, restricted net position in consisted of the following:

Escrow for prior road project	\$	110,000
Future capital expenses		5,878,664
Future insurance claims		2,788,618
		<u>2,788,618</u>
	\$	<u>8,777,282</u>

Unrestricted

This component of net position is the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted

This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed

This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned

This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board, or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the Finance Committee or Business Manager has the authority to make assignments of fund balance. Thus, these assignments can be made or changed without formal action by the Board.

The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned

This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minimum Fund Balance Policy

The School District will strive to maintain an unassigned general fund balance of not less than five percent (5.0%) and not more than eight percent (8.0%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of several portions including committed, assigned and unassigned may exceed ten percent (10.0%) of the budgeted expenditures for the fiscal year. If the unassigned portion of the fund balance falls below the threshold of four percent (4.0%), the Board will pursue variations of increasing revenues and decreasing expenditures, or a combination of both, until five percent (5.0%) is attained.

Fund Balance Flow Assumptions

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned and committed. This order of spending may be altered per board approval.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any federal agency, instrumentality or Unites States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issues by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2024, \$ 596,879 of the School District’s total bank balance of \$ 913,541 was exposed to custodial credit risk.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the School District have pledged collateral on a pooled basis on behalf of the School District and all other governmental depositors in the respective financial institutions.

Credit Risk - Investments

Included in cash and cash equivalents on the statement of net position are pooled investments in the PA Local Government Investment Trust (PLGIT) of \$ 49,869, PSDLAF-MAX of \$ 7,182,901, and PSDLAF full flex pool of \$ 34,770,998. PLGIT deposits are invested by PLGIT directly in a portfolio of securities which are held by a third-party custodian. These are PLGIT-Class Shares, which operate like a money market fund. PSDLAF deposits are invested by PSDLAF directly in portfolios of securities held by a third-party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool. The PSDLAF and PLGIT investments are basically mutual funds that consists of short-term money market instruments and seeks to maintain a constant net asset value of \$ 1 per share.

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings. As of June 30, 2024, the School District’s investments were rated as:

Investment	Standard & Poor’s
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm
Wilmington Trust – Money Market Mutual Fund	AAAm

Policies Followed at PSDLAF and PLGIT

PSDLAF and PLGIT are not registered with the Securities and Exchange Commission (SEC); however, PSDLAF and PLGIT follow investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The School District’s investments in PSDLAF and PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools’ share price.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF or PLGIT.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in PSDLAF and PLGIT are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions. Investments in the PSDLAF full flex fund have weekly liquidity.

Investments – Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2024:

- Money market mutual funds of \$ 3,894,377 are valued using quoted market prices (Level 1 inputs)

NOTE 3 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS

Taxes receivable and deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2024:

Real estate	\$ 986,155
Earned income	1,348,426
Realty transfer	<u>65,734</u>
	2,400,315
 Taxes collected within sixty days, recorded as revenues in governmental funds	 <u>(1,445,494)</u>
 Taxes estimated to be collected after sixty days, included in unavailable revenue in governmental funds	 <u>\$ 954,821</u>
 Unavailable tax revenue	 \$ 954,821
Unavailable grant revenue	<u>9,164</u>
Total unavailable revenue	<u><u>\$ 963,985</u></u>

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 3 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES AND TAX ABATEMENTS
(CONTINUED)

Tax Abatements

Pennsylvania Clean and Green Program

Clean and Green is a preferential tax assessment program that bases property taxes on use values rather than fair market values. This ordinarily results in tax savings for landowners.

Property owners can apply at the York County tax assessment office for their property to be included in Pennsylvania’s Clean and Green program. The program was enacted as a tool to encourage protection of the Commonwealth’s valuable farmland, forestland, and open spaces. To be eligible, a property must be at least ten acres in size, and in Agriculture Use, Agriculture Reserve, or Forest Reserve. Agricultural Use applications may be less than 10 acres in size if the property is capable of generating at least \$ 2,000 annually in farm income. A landowner who breaches the covenant is subject to seven years of rollback taxes at 6% interest per year. The rollback tax is the difference between what was paid under Clean and Green versus what would have been paid, if the property had not been enrolled, plus 6% simple interest per year.

For the fiscal year ended June 30, 2024, total School District property taxes of \$ 5,116,832 were abated under this program.

NOTE 4 INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consist of the following as of June 30, 2024:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 15,114	\$ -
Capital Projects Fund	-	15,012
Food Service Fund	-	102
	<u>\$ 15,114</u>	<u>\$ 15,114</u>

The general fund had receivables from the food service and capital projects funds for various operating expenses.

	Transfers In	Transfers Out
General Fund	\$ -	\$ 21,178
Food Service Fund	21,178	-
Total	<u>\$ 21,178</u>	<u>\$ 21,178</u>

The general fund made a transfer to the food service fund for the purchase of equipment.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 5 FEDERAL AND STATE SUBSIDIES RECEIVABLE

Federal and state subsidies receivable for governmental activities at June 30, 2024 consist of the following:

		Governmental Activities
State:	Social security	\$ 681,013
	Retirement	2,971,712
	Vocational education	28,392
	Transportation	448,630
		<u>4,129,747</u>
Federal:	Title I	105,059
	Title II	13,214
	ESSER	405,326
		<u>523,599</u>
	Total	<u>\$ 4,653,346</u>

NOTE 6 LEASE RECEIVABLE/DEFERRED INFLOWS

The School District entered into a lease agreement as lessor for the use of School District land for farming purposes. As of June 30, 2024, the value of the lease receivable is \$ 15,462 with a related deferred inflow of \$ 13,845. The lessee is required to make semi-annual fixed payments of \$ 5,322. The lease has an interest rate of 3.25% and the School District recognized lease revenue of \$ 10,063 and interest income of \$ 744 related to this lease during the fiscal year. These amounts are shown as rental income in the financial statements.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2024:

Governmental Activities

	Beginning Balance (as restated)	Additions	Deletions	Ending Balance
Cost				
Capital assets not being depreciated				
Land	\$ 6,956,596	\$ -	\$ -	\$ 6,956,596
Construction in progress	-	141,823	-	141,823
Capital assets				
Site improvements	8,686,933	-	-	8,686,933
Buildings and building improvements	133,384,367	852,864	-	134,237,231
Furniture and equipment	5,538,346	56,501	(2,500)	5,592,347
Vehicles	462,580	90,974	(16,138)	537,416
Right-to-use asset - equipment	182,199	-	-	182,199
Right-to-use asset - IT subscriptions	490,554	159,587	-	650,141
Total cost	<u>155,701,575</u>	<u>1,301,749</u>	<u>(18,638)</u>	<u>156,984,686</u>
Less accumulated depreciation/ amortization				
Site improvements	(6,706,268)	(284,268)	-	(6,990,536)
Buildings and building improvements	(58,905,914)	(3,159,101)	-	(62,065,015)
Furniture and equipment	(5,250,379)	(87,428)	2,500	(5,335,307)
Vehicles	(381,714)	(63,145)	16,138	(428,721)
Right-to-use asset - equipment	(83,360)	(45,548)	-	(128,908)
Right-to-use asset - IT subscriptions	(240,754)	(244,097)	-	(484,851)
Total accumulated depreciation/ amortization	<u>(71,568,389)</u>	<u>(3,883,587)</u>	<u>18,638</u>	<u>(75,433,338)</u>
Capital assets, net	<u>\$ 84,133,186</u>	<u>\$ (2,581,838)</u>	<u>\$ -</u>	<u>\$ 81,551,348</u>

The balance in construction in progress is related to fire alarms and systems at Mazie Gable and Clearview.

Depreciation and amortization was charged to individual functions as follows:

	Depreciation/ Amortization
Instruction	\$ 1,207,291
Instructional student support	188,861
Administrative and financial support services	158,317
Operation and maintenance of plant services	2,329,118
Total	<u>\$ 3,883,587</u>

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 7 CAPITAL ASSETS (CONTINUED)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Cost				
Food service equipment	\$ 2,255,288	\$ 174,273	\$ -	\$ 2,429,561
Less accumulated depreciation				
Food service equipment	(2,057,450)	(28,772)	-	(2,086,222)
Capital assets, net	<u>\$ 197,838</u>	<u>\$ 145,501</u>	<u>\$ -</u>	<u>\$ 343,339</u>

Depreciation expense for the year ended June 30, 2024 was \$ 28,772.

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following at June 30, 2024:

General Fund

Accrued salaries	\$ 4,451,271
Retirement	4,744,349
Social security	331,914
Other withholdings and accruals	86,055
	<u>\$ 9,613,589</u>

Food Service Fund

Accrued salaries	\$ 1,692
Other withholdings and accruals	290
	<u>\$ 1,982</u>

NOTE 9 LONG-TERM LIABILITIES

Changes in long term liabilities during the year ended June 30, 2024 are as follows:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General Obligation Bonds						
Series of 2019	\$ 11,660,000	\$ -	\$ (10,000)	\$ 11,650,000	\$ 6,985,000	\$ 4,665,000
Direct Borrowings						
Series A and B of 2020	6,568,000	-	(3,532,000)	3,036,000	1,000	3,035,000
Series of 2021	3,798,388	-	(3,798,388)	-	-	-
Bond premium	552,449	-	(213,851)	338,598	213,851	124,746
Subtotal bonds/notes payable	<u>22,578,837</u>	<u>-</u>	<u>(7,554,239)</u>	<u>15,024,598</u>	<u>7,199,851</u>	<u>7,824,746</u>
Lease obligation	101,954	-	(45,961)	55,993	47,833	8,160
IT subscription liability	74,103	159,587	(115,915)	117,775	34,113	83,662
Compensated absences	1,039,027	138,638	(96,681)	1,080,984	423,192	657,792
Total long term liabilities	<u>\$ 23,793,921</u>	<u>\$ 298,225</u>	<u>\$ (7,812,796)</u>	<u>\$ 16,279,350</u>	<u>\$ 7,704,989</u>	<u>\$ 8,574,360</u>
Business-Type Activities						
Compensated absences	\$ 29,370	\$ 263	\$ (9,236)	\$ 20,397	\$ 2,335	\$ 18,062
Total long-term liabilities	<u>\$ 29,370</u>	<u>\$ 263</u>	<u>\$ (9,236)</u>	<u>\$ 20,397</u>	<u>\$ 2,335</u>	<u>\$ 18,062</u>

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of bonds and notes payable at June 30, 2024, which were issued to finance various school facilities acquisitions and renovations:

	Date of Issue	Last Maturity Date	Interest Rate	Outstanding Face Amount
A)	July 2, 2019 - Series of 2019	February 1, 2026	1.40% to 4.00%	11,650,000
B)	May 18, 2020 - Series A and B of 2020	April 25, 2027	0.80%	3,036,000
				<u>\$ 14,686,000</u>

- A) On July 2, 2019, the School District issued General Obligation Bonds, Series of 2019 in the aggregate principal amount of \$ 12,075,000. Proceeds of the bond were used to refund the outstanding General Obligation Bonds, Series of 2013, a portion of the outstanding General Obligation Bonds, Series of 2015, to fund various projects of the School District and to pay the costs of issuing the Bonds.
- B) On May 18, 2020, the School District issued General Obligation Note, Series A and B of 2020 in the aggregate principal amount of \$ 10,645,000. Proceeds of the note were used to refund the outstanding General Obligation Bonds, Series of 2015, to fund various projects of the School District and to pay the costs of issuing the Note.

The School District’s general obligation bonds and notes contain a provision that in the event of default for non-payment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District subsidies and pay any past due amounts directly to the paying agent for payment to the bond holders.

Lease Obligation

The School District entered into a 4-year lease agreement as lessee for the acquisition and use of copiers. The lease requires monthly principal and interest payments of \$ 4,100 based on an interest rate of 4%. The associated right-to-use asset is disclosed in the Capital Assets footnote.

IT Subscription Liabilities

The School District entered into subscription arrangements ranging from 1 to 6 years for the exclusive use of subscription-based information technology. The arrangements require annual principal and interest payments ranging from \$ 3,250 to \$ 238,620 based on an interest rate of 3.25%. The associated right-to-use asset is disclosed in the Capital Assets footnote.

The School District has one (1) three-year subscription arrangement that is based on user seats and is not included in the total IT Subscription Liabilities at June 30, 2024. The total user seat expense for the year ended June 30, 2024 was \$ 44,191.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Maturities

A schedule of the School District’s debt service requirements as of June 30, 2024, which are financed by the General Fund, follows:

Year Ending June 30	Bonds		Direct Borrowings		Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 6,985,000	\$ 436,500	\$ 1,000	\$ 24,287	\$ 47,833	\$ 1,369
2026	4,665,000	186,600	2,430,000	21,040	8,160	41
2027	-	-	605,000	4,033	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
	<u>\$ 11,650,000</u>	<u>\$ 623,100</u>	<u>\$ 3,036,000</u>	<u>\$ 49,360</u>	<u>\$ 55,993</u>	<u>\$ 1,410</u>
	IT Subscription Liabilities		Total			
	Principal	Interest	Principal	Interest		
2025	\$ 34,113	\$ 3,828	\$ 7,067,946	\$ 465,984		
2026	21,496	2,719	7,124,656	210,400		
2027	22,195	2,020	627,195	6,053		
2028	19,666	1,299	19,666	1,299		
2029	20,305	660	20,305	674,530		
	<u>\$ 117,775</u>	<u>\$ 10,526</u>	<u>\$ 14,859,768</u>	<u>\$ 1,358,266</u>		

NOTE 10 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (C) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011.

Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Benefits Provided (Continued)

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A members' right to a defined benefit is vested in 10 years.

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

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

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions

Member Contributions

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

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.5% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2024 was 33.09% of covered payroll. This is 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 recognized as revenue by the defined benefit pension plan from the School District were \$ 12,801,548 for the year ended June 30, 2024. In addition, the School District's contribution to the defined contribution plan was \$ 136,703 for the year ended June 30, 2024.

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension and OPEB liabilities and related pension and OPEB expense represent 100% of the School District's share of these amounts.

During the year ended June 30, 2024, the School District recognized revenue of \$ 8,503,828 as reimbursement for its current year pension and OPEB payments.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 PENSION PLAN (CONTINUED)

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

At June 30, 2024, the School District reported a liability of \$ 115,664,588 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2022 to June 30, 2023. The School District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions. At June 30, 2023, the School District’s proportion was 0.2600 percent, which was a decrease of 0.0086 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense as follows:

Governmental Activities	\$ 10,630,657
Business-Type Activities/Food Service Fund	190,553

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,000	\$ 1,584,000
Changes in assumptions	1,726,000	-
Net difference between projected and actual investment earnings	3,273,000	-
Changes in proportionate share - plan	1,973,000	4,214,000
Changes in proportionate share - governmental activities/business-type activities	125,712	125,712
Difference between employer contributions and proportionate share of total contributions	17,038	70,748
Contributions subsequent to the measurement date	<u>12,859,499</u>	<u>-</u>
	<u>\$ 20,000,249</u>	<u>\$ 5,994,460</u>

The \$ 12,859,499 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2025	\$	1,446,696
2026		(3,906,444)
2027		2,514,037
2028		<u>1,092,001</u>
Total	\$	<u>1,146,290</u>

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 10 PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- The 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 and 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 projecting using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on an experience study that was performed over a 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0%	5.2%
Private equity	12.0%	7.9%
Fixed income	33.0%	3.2%
Commodities	7.5%	2.7%
Infrastructure/MLPs	10.0%	5.4%
Real estate	11.0%	5.7%
Absolute return	4.0%	4.1%
Cash	3.0%	1.2%
Leverage	(10.5)%	1.2%
	100.0%	

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 10 PENSION PLAN (CONTINUED)

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

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

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2024, the School District had \$ 4,584,674 payable to the pension plan.

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Descriptions and Benefits Provided

School District Plan

The School District has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical, dental, and prescription drug coverage for both retiree and family. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's cost of coverage. The coverage shall continue until the earlier of the retiree reaching Medicare eligibility or the retiree's death.

Retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefits.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Plan Descriptions and Benefits Provided (Continued)

PSERS

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2022, there were no assumed future benefit increase to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program or employer-sponsored health insurance program.

Plan Membership

School District Plan

Membership in the School District's plan consisted of the following at July 1, 2023, the date of the latest actuarial valuation:

Active participants	580
Vested former participants	0
Retired participants	<u>187</u>
Total	<u>767</u>

Contributions

PSERS

The School District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were \$ 248,216 for the year ended June 30, 2024.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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

School District Plan

The School District’s total OPEB liability was measured as of June 30, 2023, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2022 to June 30, 2023 based on an actuarial valuation as of July 1, 2023. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2024, the School District reported a total OPEB liability of \$ 3,973,461.

For the year ended June 30, 2024, the School District recognized OPEB expense of \$ 432,909.

PSERS

At June 30, 2024, the School District reported a liability of \$ 4,703,988 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2022 to June 30, 2023. The School District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the School District’s proportion was 0.2600 percent, which was a decrease of 0.0087 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized OPEB expense of \$ 174,888.

The table below summarizes the combined OPEB liability and OPEB expense:

	Total OPEB/ Net OPEB Liability	OPEB Expense
School District Plan	\$ 3,973,461	\$ 432,909
PSERS	<u>4,703,988</u>	<u>174,888</u>
Total	<u>\$ 8,677,449</u>	<u>\$ 607,797</u>

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the Total OPEB Liability

School District Plan

	Total OPEB Liability
Beginning Balance	\$ 4,188,097
Changes for the year	
Service cost	256,792
Interest	178,027
Difference between expected and actual	67,882
Changes of assumptions	(606,618)
Benefit payments	(110,719)
Net changes	(214,636)
Ending Balance	\$ 3,973,461

	School District Plan		PSERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 601,965	\$ 3,724,705	\$ 31,000	\$ 47,000	\$ 632,965	\$ 3,771,705
Changes in assumptions	940,439	2,372,353	406,000	890,000	1,346,439	3,262,353
Net difference between projected and actual investment earnings	-	-	11,000	-	11,000	-
Changes in proportions - plan	-	-	243,000	270,000	243,000	270,000
Changes in proportionate share - governmental activities/business-type activities	-	-	17,541	17,541	17,541	17,541
Difference between employer contributions and proportionate share of total contributions	-	-	5,589	8,930	5,589	8,930
Contributions subsequent to the measurement date	157,109	-	249,972	-	407,081	-
	\$ 1,699,513	\$ 6,097,058	\$ 964,102	\$ 1,233,471	\$ 2,663,615	\$ 7,330,529

An amount of \$ 407,081 is reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2025 related to the School District and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30	School District		Total
	Plan	PSERS	
2025	\$ (1,910)	\$ (68,277)	\$ (70,187)
2026	(431,436)	(111,757)	(543,193)
2027	(812,338)	(146,840)	(959,178)
2028	(763,971)	(153,617)	(917,588)
2029	(592,478)	(38,850)	(631,328)
Thereafter	(1,952,521)	-	(1,952,521)
Total	\$ (4,554,654)	\$ (519,341)	\$ (5,073,995)

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions

School District Plan

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

PSERS

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

	School District Plan	PSERS
Actuarial Cost Method	Entry age normal	Entry age normal – level % of pay.
Investment Rate of Return	4.13% (S&P 20 Year municipal bond rate – July 1, 2023)	4.13% (S&P 20 Year municipal bond rate – June 30, 2023)
Salary	An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.	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	PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for administrators and all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.	Based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjust to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
Percentage of Eligible Employees Electing Coverage in Plan	45% of employees are assumed to elect coverage.	Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%.
Health Care Cost Trend Rate	7.0% in 2023, with a 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.	Applied to retirees with less than \$ 1,200 in premium assistance per year. Benefit is capped at \$ 1,200 per year.
Per Capita Claims Cost	The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows: age 0-49, \$ 8,297 for males and \$ 11,983 for females; 50-54, \$ 10,988 for males and \$ 13,543 for females; 55-59, \$ 13,384 for males and \$ 14,171 for females; 60-64, \$ 17,465 for males and \$ 16,279 for females.	N/A

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

PSERS

Investment Return

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100%</u>	1.2%
	<u>100%</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, 2023.

Discount Rate

The discount rate used to measure the OPEB liability was 4.13% and 4.13% for the School District’s Plan and PSERS, respectively. The School District Plan is not funded, therefore, a rate of 4.13% which is to the S&P 20 year municipal bond rate as of July 1, 2023, is the applicable discount rate. Under the PSERS 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 or the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB’s plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 4.13% which represents the S&P 20 year municipal bond rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate

The following presents the total and net OPEB liabilities of the School District, as well as what the School District's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
School District Plan - Total OPEB liability	\$ 4,296,899	\$ 3,973,461	\$ 3,667,841

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
PSERS - School District's proportionate share of the net OPEB liability	\$ 5,318,000	\$ 4,703,988	\$ 4,190,000

Sensitivity of the Total and Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

For the PSERS plan, healthcare cost trends were applied to retirees receiving less than \$ 1,200 in Premium Assistance. As of June 30, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$ 1,200.

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

School District Plan

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District Plan - Total OPEB Liability	\$ 3,527,961	\$ 3,973,461	\$ 4,496,642

PSERS

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
PSERS - School District's proportionate share of the net OPEB liability	\$ 4,703,000	\$ 4,703,988	\$ 4,704,000

RED LION AREA SCHOOL DISTRICT

Notes to Financial Statements

NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

PSERS

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

Payables to the OPEB Plan

School District Plan

As of June 30, 2024, the School District had no amounts payable to the School District OPEB Plan.

PSERS

As of June 30, 2024, the School District had \$ 126,082 payable to the pension plan related to OPEB.

NOTE 12 COMMITMENTS AND CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision or any contingent liabilities that may result have been made in the financial statements.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2024 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Note Agreement for General Obligation Note Series of 2020 A and B obligates the School District to pay any "termination charges" relating to interest rate swap agreements between the lender (Delaware Valley Regional Finance Authority) and third-party financial institutions. The market (termination) value of the related interest rate swap agreement is the estimated fee that would be owed by the School District. Termination charges may result from; prepayment by the School District of the 2020 Notes before the end of their scheduled terms; default by the School District on interest or principal payments for the 2020 Notes; or other specified events described in the "Interest Rate Management Plan" associated with the Note Agreement. The swap value associated with the School District's debt is currently \$ 174,296. Management has

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

evaluated the likelihood of the events, which could trigger the termination charges and believes they are remote. There is no provision included in the financial statements for the potential impact of any termination charges.

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

Project	Total Contracts	Total Costs Incurred	Total Costs to be Incurred
Mazie Gable Fire Alarm system	\$ 133,116	\$ 76,393	\$ 56,723
Clearview Fire Alarm system	110,470	65,430	45,040
Kitchen Ovens for North Hopewell, Locust Grove and Clearview	62,638	-	62,638
Turf Replacement Senior High	799,032	-	799,032
Clearview Lock Replacement	42,550	9,861	32,689
	<u>\$ 1,147,806</u>	<u>\$ 151,684</u>	<u>\$ 996,122</u>

NOTE 13 RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School District purchases commercial insurance.

During the year ended June 30, 2024, the School District did not reduce insurance coverage from coverage levels in place as of June 30, 2023. No settlements have exceeded coverage levels in place during the past three fiscal years.

Insurance Fund

As of July 1, 2018, the School District implemented its own self-funded health care plan administered by Highmark. This plan is a “cost plus” plan in which the School District pays Highmark for actual claims and administering the plan. The School District has an internal service fund to account for the revenues and expenses of the program. Transfers are made from the general fund and food service fund to the internal service fund based on actuarially determined rates. Other sources of revenue are from stop-loss insurance coverage, COBRA payments and employee reimbursements (including retirees who elect to continue coverage). The School District maintains stop-loss coverage for claims greater than \$ 175,000 individually.

Changes in the self-insured claims liability amounts for the year ended June 30 were as follows:

Year Ended June 30	Liability Beginning	Current Year Expense (including Changes in Estimate)	Payments	Liability Ending
2024	\$ 1,279,585	\$ 9,577,317	\$ 9,751,143	\$ 1,105,759
2023	854,870	8,889,260	8,464,545	1,279,585

The ending liability represents unpaid claims and the estimated amount of incurred but not reported (IBNR) claims as of June 30, 2024 and June 30, 2023, respectively. All expenditures for the School District’s risk management are recorded in the internal service fund, general fund or food service fund.

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 13 RISK MANAGEMENT (CONTINUED)

Insurance Fund (Continued)

In addition, the School District is a member of the School District Insurance Consortium (SDIC) to partially self-insure workers compensation. The consortium operates on a standalone basis in which each member contributes an actuarially determined amount to cover its expected claims and administrative costs. The consortium purchases excess insurance to cover substantial claims. The School District's past workers compensation experience levels are used in determining future contribution amounts.

Individual members do not share in the risk of loss related to other members. Total contributions paid to the consortium for the year ended June 30, 2024 were \$ 134,561.

NOTE 14 GOVERNMENTAL FUNDS – FUND BALANCE

The following table provides details of the fund balance classifications which are aggregated on the governmental funds balance sheet:

	General Fund	Capital Projects Fund	Total Governmental Funds
Fund Balances			
Nonspendable			
Prepays	\$ 51,274	\$ -	\$ 51,274
Inventory	177,119	-	177,119
	<u>228,393</u>	<u>-</u>	<u>228,393</u>
Restricted for			
Escrow for prior road project	110,000	-	110,000
Future capital expenditures	-	5,878,664	5,878,664
	<u>110,000</u>	<u>5,878,664</u>	<u>5,988,664</u>
Committed for			
Future retirement expenditures	3,311,466	-	3,311,466
Future debt service payments	2,000,000	-	2,000,000
Future technology expenditures	550,000	-	550,000
	<u>5,861,466</u>	<u>-</u>	<u>5,861,466</u>
Assigned for			
Subsequent year budget deficit	3,041,000	-	3,041,000
Future retirement expenditures	1,716,106	-	1,716,106
Future debt service payments	250,000	-	250,000
Future self-insurance health costs	1,300,000	-	1,300,000
Future capital projects	6,597,221	-	6,597,221
	<u>12,904,327</u>	<u>-</u>	<u>11,604,327</u>
Unassigned	<u>8,077,957</u>	<u>-</u>	<u>8,077,957</u>
Total fund balances	<u>\$ 27,182,143</u>	<u>\$ 5,878,664</u>	<u>\$ 31,760,807</u>

RED LION AREA SCHOOL DISTRICT
Notes to Financial Statements

NOTE 15 RESTATEMENT

There were amounts for subscription-based information technology arrangements under GASB Statement No. 96 that were overstated in the prior period. A restatement was necessary to restate the beginning balances as follows:

	Governmental Activities
Net position, as originally stated - June 30, 2023	\$ (17,616,169)
Restatement of right-to-use asset - IT subscriptions	(126,114)
Restatement of subscription liability	<u>231,109</u>
Net position, as restated - June 30, 2023	<u>\$ (17,511,174)</u>
Change in net position, as originally stated - June 30, 2023	\$ 8,924,573
Restatement of right-to-use asset - IT subscriptions	(126,114)
Restatement of subscription liability	<u>231,109</u>
Change in net position, as restated - June 30, 2023	<u>\$ 9,029,568</u>

REQUIRED SUPPLEMENTARY INFORMATION

RED LION AREA SCHOOL DISTRICT

Required Supplementary Information - Budgetary Comparison Schedule - General Fund Year Ended June 30, 2024

	BUDGET		ACTUAL (BUDGETARY/ GAAP BASIS)	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local Sources				
Taxes	\$ 52,633,445	\$ 52,633,445	\$ 53,460,005	\$ 826,560
Investment earnings	1,500,000	1,500,000	2,339,881	839,881
Federal revenue from intermediate sources	1,125,000	1,125,000	1,292,550	167,550
Other	977,900	977,900	895,614	(82,286)
State sources	38,518,755	38,518,755	39,522,994	1,004,239
Federal sources	2,167,800	2,167,800	2,360,152	192,352
Total revenues	<u>96,922,900</u>	<u>96,922,900</u>	<u>99,871,196</u>	<u>2,948,296</u>
EXPENDITURES				
Instruction				
Regular programs	41,137,376	41,306,628	41,305,315	1,313
Special programs	14,354,071	15,029,277	14,974,705	54,572
Vocational education programs	5,833,182	5,611,599	5,536,538	75,061
Other instructional programs	522,678	238,471	185,721	52,750
Total instruction	<u>61,847,307</u>	<u>62,185,975</u>	<u>62,002,279</u>	<u>183,696</u>
Support Services				
Pupil personnel	4,284,245	4,279,692	4,161,834	117,858
Instructional staff	1,837,284	1,717,913	1,582,062	135,851
Administration	4,299,998	4,243,704	4,101,319	142,385
Pupil health	1,600,307	1,587,644	1,584,547	3,097
Business	838,432	838,432	740,519	97,913
Operation and maintenance of plant	8,200,402	8,223,654	7,721,342	502,312
Student transportation	5,574,290	5,347,501	5,244,330	103,171
Other support services	2,260,527	2,232,652	2,128,865	103,787
Total support services	<u>28,895,485</u>	<u>28,471,192</u>	<u>27,264,818</u>	<u>1,206,374</u>
Operation of Noninstruction Services				
Student activities	1,455,973	1,536,577	1,457,500	79,077
Subscription-based IT arrangement outlay				
	-	-	159,587	(159,587)
Debt Service				
Principal	7,342,000	7,342,000	7,340,388	1,612
Interest	509,235	514,256	509,499	4,757
Total debt service	<u>7,851,235</u>	<u>7,856,256</u>	<u>7,849,887</u>	<u>6,369</u>
Total expenditures	<u>100,050,000</u>	<u>100,050,000</u>	<u>98,734,071</u>	<u>1,315,929</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from subscription-based IT arrangements	-	-	159,587	(159,587)
Refund of prior year (receipts) expenditures	-	-	(6,370)	(6,370)
Transfers	-	-	(21,178)	(21,178)
Proceeds from sale of capital assets	1,100	1,100	70,421	69,321
Total other financing sources (uses)	<u>1,100</u>	<u>1,100</u>	<u>202,460</u>	<u>(117,814)</u>
Net change in fund balances	<u>\$ (3,126,000)</u>	<u>\$ (3,126,000)</u>	1,339,585	<u>\$ 4,465,585</u>
Fund balance - beginning			25,842,558	
Fund balance - ending			<u>\$ 27,182,143</u>	

RED LION AREA SCHOOL DISTRICT

Required Supplementary Information - Schedule of School District's Proportionate Share of Net Pension Liability - Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.2600%	\$ 115,664,588	\$ 39,840,061	290.32%	61.85%
2023	0.2686%	119,416,127	39,506,440	302.27%	61.34%
2022	0.2745%	112,700,724	38,919,845	289.57%	63.67%
2021	0.2581%	127,085,900	36,271,905	350.37%	54.32%
2020	0.2627%	122,897,911	36,223,865	339.27%	55.66%
2019	0.2581%	123,901,000	34,751,952	356.53%	54.00%
2018	0.2507%	123,816,730	33,394,856	370.77%	51.84%
2017	0.2454%	121,612,454	31,750,562	383.02%	50.14%
2016	0.2479%	107,378,650	31,897,471	336.64%	54.36%
2015	0.2545%	100,732,925	32,476,562	310.17%	57.24%

NOTES

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

Changes in Actuarial Assumptions

The following actuarial assumptions were changed during 2020-2021:

- Actuarial cost method – Entry Age Normal – level percent of pay.
- Investment return – 7.00% includes inflation at 2.50%.
- Salary growth – effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates 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.

RED LION AREA SCHOOL DISTRICT

Required Supplementary Information - Schedule of School District's Contributions - Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Payroll
2024	\$ 12,801,548	\$ 12,801,548	\$ -	\$ 40,064,575	32.0%
2023	13,657,379	13,657,379	-	39,840,061	34.3%
2022	13,400,285	13,400,285	-	39,506,440	33.9%
2021	12,295,752	12,295,752	-	38,919,845	31.6%
2020	12,069,883	12,069,883	-	36,271,905	33.3%
2019	11,694,534	11,694,534	-	36,223,865	32.3%
2018	10,892,516	10,892,516	-	34,751,952	31.3%
2017	9,605,528	9,605,528	-	33,394,856	28.8%
2016	7,784,799	7,784,799	-	31,750,562	24.5%
2015	6,371,371	6,371,371	-	31,879,471	20.0%

RED LION AREA SCHOOL DISTRICT

Required Supplementary Information - Schedule of Changes in the School District's Total OPEB Liability and Related Ratios – School District Plan

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 256,792	\$ 403,529	\$ 240,049	\$ 258,153	\$ 339,697	\$ 361,076	\$ 252,412
Interest	178,027	124,177	331,823	328,571	337,863	337,243	200,065
Differences between expected and actual experience	67,882	-	(4,990,033)	-	(222,033)	-	3,116,447
Changes in assumptions	(606,618)	(1,333,341)	398,723	-	(1,708,341)	-	3,747,881
Benefit payments	(110,719)	(107,168)	(480,598)	(488,886)	(672,662)	(661,271)	(237,530)
Net change in total OPEB liability	(214,636)	(912,803)	(4,500,036)	97,838	(1,925,476)	37,048	7,079,275
Total OPEB liability - beginning	4,188,097	5,100,900	9,600,936	9,503,098	11,428,574	11,391,526	4,312,251
Total OPEB liability - ending	<u>\$ 3,973,461</u>	<u>\$ 4,188,097</u>	<u>\$ 5,100,900</u>	<u>\$ 9,600,936</u>	<u>\$ 9,503,098</u>	<u>\$ 11,428,574</u>	<u>\$ 11,391,526</u>
Covered employee payroll	\$ 38,667,275	\$ 36,992,786	\$ 36,992,786	\$ 33,969,807	\$ 33,141,275	\$ 30,826,395	\$ 30,074,532
Total OPEB liability as a percentage of covered payroll	10.28%	11.32%	13.79%	28.26%	28.67%	37.07%	37.88%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in future years.

The amounts presented for each fiscal year were determined as of the measurement period year end that was used for the fiscal year. For the School District plan, the measurement period yearend is one year prior to the fiscal yearend.

RED LION AREA SCHOOL DISTRICT

Required Supplementary Information - Schedule of School District's Proportionate Share of Net OPEB Liability - Public School Employees' Retirement System

For the Fiscal Year Ended June 30	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Net OPEB Liability
2024	0.2600%	\$ 4,703,988	\$ 39,840,061	11.81%	7.22%
2023	0.2687%	4,946,152	39,506,440	12.52%	6.86%
2022	0.2745%	6,505,878	38,919,845	16.72%	5.30%
2021	0.2584%	5,583,241	36,271,905	15.39%	5.69%
2020	0.2627%	5,587,214	36,223,865	15.42%	5.56%
2019	0.2581%	5,381,000	34,751,952	15.48%	5.56%
2018	0.2507%	5,107,792	33,394,856	15.30%	5.73%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in future years.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period is one year prior to the fiscal year-end. This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

RED LION AREA SCHOOL DISTRICT
Required Supplementary Information - Schedule of School District's OPEB Contributions
- Public School Employees' Retirement System

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Payroll
2024	\$ 248,216	\$ 248,216	\$ -	\$ 40,064,575	0.64%
2023	298,551	298,551	-	39,840,061	0.75%
2022	315,641	315,641	-	39,506,440	0.80%
2021	300,135	300,135	-	38,919,845	0.82%
2020	303,604	303,604	-	36,271,905	0.84%
2019	297,744	297,744	-	36,223,865	0.83%
2018	284,839	284,839	-	34,751,952	0.83%

NOTES

This schedule will be expanded to show 10 fiscal years once information become available in the future.

OTHER SUPPLEMENTARY INFORMATION

RED LION AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Source Code	Federal ALN	Pass-Through Grantor's Number	Program Period	Program or Award Amount	Total Received for the Year	Receivable (Payable) Beginning	Revenue	Expenditures	Receivable (Payable) Ending	Total Passed-Through to Subrecipients
DEPARTMENT OF EDUCATION											
Passed through Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-24-0356	7/1/23-9/30/24	957,660	\$ 762,646	\$ -	\$ 867,705	\$ 867,705	\$ 105,059	\$ -
Title I						762,646	-	867,705	867,705	105,059	-
Title II - Improving Teacher Quality	I	84.367	020-23-0356	7/1/22-9/30/23	144,679	-	(2,378)	2,378	2,378	-	-
Title II - Improving Teacher Quality	I	84.367	020-24-0356	7/1/23-9/30/24	153,441	77,128	-	90,342	90,342	13,214	-
Title II						77,128	(2,378)	92,720	92,720	13,214	-
Title IV - Student Support & Academic Achievement	I	84.424	144-22-0356	7/1/21-9/30/22	71,221	10,202	10,202	-	-	-	-
Title IV - Student Support & Academic Achievement	I	84.424	144-23-0356	7/1/22-9/30/23	80,197	31,085	31,085	-	-	-	-
Title IV - Student Support & Academic Achievement	I	84.424	144-24-0356	7/1/23-9/30/24	74,209	68,908	-	59,746	59,746	(9,162)	-
Title IV						110,195	41,287	59,746	59,746	(9,162)	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	I	84.425U	223-21-0356	3/13/20-9/30/24	7,078,112	1,415,622	592,242	1,015,037	1,015,037	191,657	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-21-0356	3/13/20-9/30/24	550,129	70,016	(41,258)	324,943	324,943	213,669	-
Total Education Stabilization Fund						1,485,638	550,984	1,339,980	1,339,980	405,326	-
Passed through Lincoln Intermediate Unit No 12											
Special Education Cluster (IDEA)											
IDEA Part B - Special Education	I	84.027	N/A	7/1/23-9/30/24	1,274,294	1,274,294	-	1,274,294	1,274,294	-	-
IDEA 619 funds - Special Education	I	84.173	N/A	7/1/23-9/30/24	12,324	12,324	-	12,324	12,324	-	-
Total Special Education Cluster						1,286,618	-	1,286,618	1,286,618	-	-
Total Department of Education						3,722,225	589,893	3,646,769	3,646,769	514,437	-
DEPARTMENT OF AGRICULTURE											
Child Nutrition Cluster											
Passed through Pennsylvania Department of Education											
School Breakfast Program	I	10.553	365	7/1/23-6/30/24	N/A	430,884	-	430,884	430,884	-	-
National School Lunch Program - cash	I	10.555	362	7/1/23-6/30/24	N/A	1,369,753	-	1,369,753	1,369,753	-	-
COVID-19 Supply Chain Assistance	I	10.555	356	7/1/23-6/30/24	117,170	117,170	-	117,170	117,170	-	-
Passed through Pennsylvania Department of Agriculture											
National School Lunch Program - commodities	I(B)	10.555	N/A	7/1/23-6/30/24	N/A	305,145	-	305,145	305,145	-	-
Total Child Nutrition Cluster						2,222,952	-	2,222,952	2,222,952	-	-
Passed through Pennsylvania Department of Education											
P-EBT Local Admin Funds	I	10.649	358	7/1/23-6/30/24	3,256	3,256	-	3,256	3,256	-	-
Total Department of Agriculture						2,226,208	-	2,226,208	2,226,208	-	-
Total federal financial assistance						\$ 5,948,433	\$ 589,893	\$ 5,872,977	\$ 5,872,977	\$ 514,437	\$ -

RED LION AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(D) Direct funding

(I) Indirect funding

(B) Based on USDA valuation

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted government accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as accounts payable or a receivable, respectively.

Indirect Cost Rate

The School District has not elected to use the 10% de minimis rate for charging indirect costs to programs.



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

Board of Directors
Red Lion Area School District
Red Lion, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red Lion Area School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Red Lion Area School District’s basic financial statements, and have issued our report thereon dated November 8, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Smith & Elliott Reams Company, LLC

York, Pennsylvania
November 8, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

Board of Directors
Red Lion Area School District
Red Lion, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

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

In our opinion, Red Lion Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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 have not been 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.



York, Pennsylvania
November 8, 2024

RED LION AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any compliance audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? Yes No

Identification of the major programs:

ALN	Name of Federal Program
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
84.010	School Lunch Program
	Title I

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

Auditee qualified as low-risk auditee? Yes No

RED LION AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2024

Section II - Financial Statement Findings

A. Significant Deficiencies or Material Weaknesses in Internal Control

None noted

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III - Federal Award Findings and Questioned Costs

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Uniform Guidance by 2CFR Section 200.516.

RED LION AREA SCHOOL DISTRICT

ROBERT L. WALKER, Ed.D.
Superintendent

DANIEL J. MARTINO, Ed.D.
Assistant Superintendent

TONJA J. WHEELER, PCSBO
Chief Financial and Operations Officer



Real Learning for Real Life

Summary Schedule of Prior Audit Findings Year Ended June 30, 2024

Finding related to financial statements:

None reported in the June 30, 2023 Schedule of Findings and Questioned Costs.

Findings related to federal awards:

None reported in the June 30, 2023 Schedule of Findings and Questioned Costs.