## PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 25, 2024

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: "Aa3" (Underlying) (See Ratings herein)

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds and Notes (including for this purpose, in the case of Bonds and Notes sold at an original issue discount, the difference between the initial offering price and accrued value) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds and Notes is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. The Bonds and Notes, and interest income therefrom, are free from taxation for purposes of personal, and corporate net, income taxes within the Commonwealth of Pennsylvania. (See "TAX MATTERS" herein.)

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds and Notes are exempt from personal property taxes in the Commonwealth and the interest on the Bonds and Notes is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

## \$36,415,000\*

## **Bellefonte Area School District**

Centre County, Pennsylvania \$32,825,000\* General Obligation Notes, Series A of 2024 \$1,080,000\* General Obligation Notes, Series B of 2024 \$1,080,000\* General Obligation Bonds, Series C of 2024

Dated: November \_\_, 2024 Principal Due: May 15, as shown on inside cover Interest Due: May 15 and November 15 First Interest Payment: May 15, 2025

The debt obligation described herein are in the combined aggregate principal amount of \$36,415,000\* and consist of \$32,825,000\* General Obligation Notes, Series A of 2024 (the "2024A Notes"), \$1,080,000\* General Obligation Bonds, Series B of 2024 (the "2024B Notes"); and \$2,510,000\* General Obligation Bonds, Series C of 2024 (the "2024C Bonds"). The 2024A Bonds,2024B Notes; and the 2024C Bonds are collectively being referred to as the "Bonds and Notes". The Bonds and Notes will be registered in the name of Cede & Co., as the registered owner and nomince of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds and Notes may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds and Notes will not receive physical delivery of the Bonds and Notes. For so long as any purchaser is the beneficial owner of a Bond or Note, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds and Notes. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds and Notes are ever issued in certificated form, the Bonds and Notes will be subject to registration of transfer, exchange and payment as described herein.

The Bonds and Notes are general obligations of the Bellefonte Area School District, Centre County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds and Notes for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution, hereinafter defined, or from any other of its revenues or funds, the principal of every Bond and Note and the interest thereon on the dates, at the place and in the manner stated in the Bonds and Notes, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power. (See "SECURITY FOR THE BONDS" and "Limitations on Local Taxes" infra).

Interest on each of the Bonds and Notes is payable initially on May 15, 2025, and thereafter semiannually on May 15 and November 15 of each year until the maturity date of such Bond or Note or, if such Bond or Note is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Computershare (the "Paying Agent"), as paying agent and sinking fund depositary for the Bonds and Notes. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds and Notes. If the use of the Book-Entry Only System for the Bonds and Notes is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds and Notes will be payable, when due, upon surrender of such Bond or Note to the Paying Agent at its specified corporate trust office located in Philadelphia, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond and Note will be payable by check made out and mailed to the person(s) in whose name(s) such Bond and Note is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

#### The Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the 2024A Notes will be used towards: (1) the acquisition and construction of a new elementary school, (2) currently refund all or a portion of the School District's outstanding General Obligation Bonds, Series of 2008; and (3) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the 2024A Notes.

Proceeds of the 2024B Notes will be used: (1) to currently refund all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017; and (2) to pay the costs and expenses of issuing the 2024B Notes.

Proceeds of the 2024C Bonds will be used: (1) to currently refund all or a portion of the School District's outstanding General Obligation Notes, Series of 2022; and (2) to pay the costs and expenses of issuing the 2024C Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

The scheduled payment of principal of and interest on the Bonds and Notes when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds and Notes by \_\_\_\_\_\_.

# MATURITIES, AMOUNTS, RATES AND YIELDS {As shown on inside cover}

The Bonds and Notes are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Dinsmore & Shohl LLP, of Pittsburgh, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds and Notes. Certain matters will be passed upon for the School District by Beard Legal Group PC, School District Solicitor, Altoona, Pennsylvania and by McNees Wallace & Nurick LLC, of Harrisburg, Pennsylvania, Limited Scope Underwriter's Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds and Notes will be available for delivery through DTC, on or about November \_\_\_, 2024.

# **RAYMOND JAMES**®

<sup>\*</sup>Estimated, subject to change

## \$36,415,000\* Bellefonte Area School District

Centre County, Pennsylvania

Consisting of: \$32,825,000\* General Obligation Notes, Series A of 2024 \$1,080,000\* General Obligation Notes, Series B of 2024

\$2,510,000\* General Obligation Bonds, Series C of 2024

## NOTE MATURITY SCHEDULE FOR:

\$32,825,000\* General Obligation Notes, Series A of 2024

Dated: November \_\_, 2024 Principal Due: May 15, as shown below Interest Due: May 15 and November 15 First Interest Payment: May 15, 2025

Year of Maturity	Principal Maturity	Interest	Initial Offering	CUSIP
(May 15)	Amount	Rate	Yields	Numbers (1)
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				

(1) The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

<sup>\*</sup>Estimated, subject to change.

# \$36,415,000\* Bellefonte Area School District

Centre County, Pennsylvania

#### **Consisting of:**

\$32,825,000\* General Obligation Notes, Series A of 2024 \$1,080,000\* General Obligation Notes, Series B of 2024 \$2,510,000\* General Obligation Bonds, Series C of 2024

## NOTE MATURITY SCHEDULE FOR:

\$1,080,000\* General Obligation Notes, Series B of 2024

Dated: November \_\_, 2024Principal Due: May 15, as shown belowInterest Due: May 15 and November 15First Interest Payment: May 15, 2025

Year of Maturity (May 15)	Principal Maturity Amount	Interest Initial Offering Rate Yields		CUSIP Numbers <sup>(1)</sup>
2026				
2027				
2028				
2029				
2030				
2031				

(1) The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

<sup>\*</sup>Estimated, subject to change.

# \$36,415,000\* Bellefonte Area School District

Centre County, Pennsylvania

#### **Consisting of:**

\$32,825,000\* General Obligation Notes, Series A of 2024 \$1,080,000\* General Obligation Notes, Series B of 2024 \$2,510,000\* General Obligation Bonds, Series C of 2024

## **BOND MATURITY SCHEDULE FOR:**

\$2,510,000\* General Obligation Bonds, Series C of 2024

Dated: November \_\_\_, 2024Principal Due: May 15, as shown belowInterest Due: May 15 and November 15First Interest Payment: May 15, 2025

Year of Maturity (May 15)	Principal Maturity Amount	Interest Rate	Initial Offering Yields	CUSIP Numbers <sup>(1)</sup>
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				

(1) The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

<sup>\*</sup>Estimated, subject to change.

# **Bellefonte Area School District**

Centre County, Pennsylvania

#### BOARD OF SCHOOL DIRECTORS

Jon Guizar	President
Kimberly Weaver	Vice-President
Kenneth G. Bean, Jr.	Secretary*
Jennifer Barnhat	Member
Jack Bechdel	Member
Patrick Buck	Member
Nate Campbell	Member
Timothy Kessling	Member
Andrea Royer	Member
Donna Smith	Member

<sup>\*</sup>Non-Voting Member

#### SUPERINTENDENT

DR. ROY A. RAKSZAWSKI

#### **DIRECTOR OF FISCAL AFFAIRS**

KENNETH G. BEAN, JR., CMA

## SCHOOL DISTRICT SOLICITOR

BEARD LEGAL GROUP PC Altoona, Pennsylvania

## **BOND COUNSEL**

DINSMORE & SHOHL LLP Pittsburgh, Pennsylvania

## FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC Harrisburg, Pennsylvania

## UNDERWRITER

RAYMOND JAMES & ASSOCIATES, INC. Lancaster, Pennsylvania

## LIMITED SCOPE UNDERWRITERS' COUNSEL

McNEES WALLACE & NURICK LLC Harrisburg, Pennsylvania

## PAYING AGENT

COMPUTERSHARE Fort Washington, Pennsylvania

#### SCHOOL DISTRICT ADDRESS

318 North Allegheny Street Bellefonte, Pennsylvania 16823-1613 No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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## PRELIMINARY OFFICIAL STATEMENT

## \$36,415,000\* Bellefonte Area School District

Centre County, Pennsylvania \$32,825,000\* General Obligation Notes, Series A of 2024 \$1,080,000\* General Obligation Notes, Series B of 2024 \$2,510,000\* General Obligation Bonds, Series C of 2024

#### INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by Bellefonte Area School District, Centre County, Pennsylvania (the "School District"), in connection with the offering of its Bonds consisting of the \$32,825,000\* General Obligation Notes, Series A of 2024 (the "2024A Notes"), \$1,080,000\* General Obligation Notes, Series B of 2024 (the "2024B Notes"); and \$2,510,000\* General Obligation Bonds, Series C of 2024 (the "2024C Bonds") (collectively referred to as the "Bonds and Notes"). , dated as of November \_\_\_, 2024. The Bonds are being issued pursuant to a Resolution of the Board of School District to be adopted on \_\_\_\_\_, 2024 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82 (the "Act").

#### PURPOSE OF THE ISSUE

Proceeds of the 2024A Notes will be used towards: (1) the acquisition and construction of a new elementary school, (2) currently refund all or a portion of the School District's outstanding General Obligation Note, Series of 2008 currently outstanding in the principal amount of \$6,930,000 (the "Refunded 2008 Bonds"); and (3) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the 2024A Bonds.

Proceeds of the 2024B Notes will be used: (1) to currently refund all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017 currently outstanding in the principal amount of \$3,440,000 (the "Refunded 2017 Bonds"); and (2) to pay the costs and expenses of issuing the 2024B Notes.

Proceeds of the 2024C Bonds will be used: (1) to currently refund all or a portion of the School District's outstanding General Obligation Notes, Series of 2022 currently outstanding in the principal amount of \$2,469,000 (the "Refunded 2022 Notes"); and (2) to pay the costs and expenses of issuing the 2024C Bonds.

#### Sources and Uses of Bond and Note Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds and Notes.

• •	•			
Sources:	2024A	2024B	2024C	Total
Par Amount				
Net Original Issue Premium/(Discount)		-		
Total Sources				
Uses:	-			
Cost to Call Series of 2008 Bonds	_			
Cost to Call Series of 2017 Bonds				
Cost to Call Series of 2022 Notes				
Construction Fund Deposit				
Estimated Costs of Issuance <sup>(1)</sup>				
Total Uses			·	

<sup>(1)</sup> Includes legal, financial advisor, printing, rating, bond and note discount, CUSIP, paying agent, escrow agent and miscellaneous costs.

<sup>\*</sup>Estimated, subject to change.

#### THE BONDS AND NOTES

## **Description**

The Bonds and Notes will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$15,000,000\*, will be dated as of November \_\_\_, 2024, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Preliminary Official Statement. Interest on the Bonds and Notes will be payable initially on May 15, 2025, and thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond and Note or, if such Bond and Note is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds and Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds and Notes (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds and Notes will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

## **Payment of Principal and Interest**

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds and Notes, payments of principal of, redemption premium, if any, and interest on the Bonds and Notes, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds and Notes is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and Notes and payment of principal, redemption premium, if any, and interest on the Bonds and Notes shall be made as described in the following paragraphs:

The principal of the Bonds and Notes, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds and Notes, or registered assigns, upon surrender of the Bonds and Notes to Computershare (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository for the Bonds and Notes, at its corporate trust office in Philadelphia, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on the Bonds and Notes will be payable to the registered owner of a Bond and Note from the interest payment date next preceding the date of registration and authentication of the Bond and Note, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond and Note shall bear interest from said interest payment date, or (b) such Bond and Note is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond and Note shall bear interest from such interest payment date, or (c) such Bond and Note is registered and authenticated on or prior to the Record Date preceding May 15, 2025, in which event such Bond and Note shall bear interest from November \_\_\_, 2024, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond and Note. Interest on each Bond and Note will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last calendar day of the month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond and Note subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds and Notes not less than ten (10) days preceding such special r

If the date for payment of the principal of or interest on any Bonds and Notes shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

## Transfer, Exchange and Registration of Bonds and Notes

Subject to the provisions described below under "Book-Entry Only System," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds and Notes to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond and Note or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds and Notes in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds and notes of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond or Note as the absolute owner thereof (whether or not a Bond or Note shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required (a) to register the transfer of or exchange any Bonds and Notes then considered for redemption during a period beginning at the close of business on the fifteenth (15<sup>th</sup>) day next preceding any date of selection of Bonds and Notes to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond or Note selected for redemption until after the redemption date. Bonds and Noes may be exchanged for a like aggregate principal amount of Bonds or Notes of other authorized denominations of the same series, maturity and interest rate.

#### REDEMPTION OF BONDS AND NOTES

## 2024A Notes Mandatory Redemption

The Notes are subject to redemption prior to maturity as required by the Resolution, in the amounts and on May 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

Notes stated to mature May 15, \_\_\_\_:

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Notes subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption in part of a Note that is subject to future mandatory redemption pursuant to the operation of the Mandatory Sinking Fund, the School District shall be entitled to designate whether the principal amount of such Note redeemed upon optional redemption shall be credited against the principal amount of such Note to be paid by the School District at the stated maturity of such Notes or credited against the principal amount of such Notes scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

## 2024B Notes Mandatory Redemption

The Notes are subject to redemption prior to maturity as required by the Resolution, in the amounts and on May 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

Notes stated to mature May 15, \_\_\_\_:

\*Final Maturity

\*Final Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Notes subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption in part of a Note that is subject to future mandatory redemption pursuant to the operation of the Mandatory Sinking Fund, the School District shall be entitled to designate whether the principal amount of such Note redeemed upon optional redemption shall be credited against the principal amount of such Note to be paid by the School District at the stated maturity of such Notes or credited against the principal amount of such Notes scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

## 2024C Bonds Mandatory Redemption

The Bonds are subject to redemption prior to maturity as required by the Resolution, in the amounts and on May 15 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

<sup>\*</sup>Estimated, subject to change.

Bonds stated	to mature	May 15.	:

\*Final Maturity

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

In the case of any prior, optional redemption in part of a Bond that is subject to future mandatory redemption pursuant to the operation of the Mandatory Sinking Fund, the School District shall be entitled to designate whether the principal amount of such Bond redeemed upon optional redemption shall be credited against the principal amount of such Bond to be paid by the School District at the stated maturity of such Bonds or credited against the principal amount of such Bonds scheduled to be called for mandatory sinking fund redemption on any particular date or dates, in each case in an integral multiple of \$5,000 principal amount.

## 2024A Notes Optional Redemption

The Notes stated to mature on or after May 15,	, shall be subject to redemption prior to maturity, at the option of the School District, date thereafter, or from time to time, in part (and if in part, of any order of maturity as
selected by the School District and within a maturity by	y lot), on, or on any date thereafter, in either case upon payment of a
redemption price of 100% of the principal amount of such	ch Bonds, together with accrued interest to the redemption date.
2024B Notes Optional Redemption	

The Notes stated to mature on or after May 15, \_\_\_\_\_, shall be subject to redemption prior to maturity, at the option of the School District, as a whole or in part, on \_\_\_\_\_, or on any date thereafter, or from time to time, in part (and if in part, of any order of maturity as selected by the School District and within a maturity by lot), on \_\_\_\_\_, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount of such Notes, together with accrued interest to the redemption date.

## 2024C Bonds Optional Redemption

The Bonds stated to mature on or after May 15, \_\_\_\_\_, shall be subject to redemption prior to maturity, at the option of the School District, as a whole or in part, on \_\_\_\_\_\_, or on any date thereafter, or from time to time, in part (and if in part, of any order of maturity as selected by the School District and within a maturity by lot), on \_\_\_\_\_\_, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

#### **Notice of Redemption**

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds and Notes, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

If at time of mailing of a notice of redemption the School District shall not have deposited with the Paying Agent (or, in the case of a refunding, with another bank or depository acting as refunding escrow agent) money sufficient to redeem all Bonds and Notes called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such money is so deposited.

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds and Notes to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds and Notes so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and Notes or portions thereof so called for redemption shall cease to accrue and such Bonds and Notes or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds and Notes or portions thereof so called for redemption shall have no rights with respect to such Bonds and Notes, except to receive payment of the principal of and accrued interest on such Bonds and Notes to the date fixed for redemption.

#### **Manner of Redemption**

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds and Notes, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

If a Bond and Note is of a denomination larger than \$5,000, a portion of such Bond or Note may be redeemed. For the purposes of redemption, a Bond and Note shall be treated as representing the number of Bonds and Notes that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond and Note being subject to redemption. In the case of partial redemption of a Bond and Note, payment of the redemption price shall be made only upon surrender of such Bond and Note in exchange for Bonds and Notes of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds and Notes shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

## SECURITY FOR THE BONDS

## **General Obligation Pledge**

The Bonds and Notes will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and available taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property within the School District within the limits provided by law (See "Taxing Powers of the School District" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" herein).

## **Commonwealth Enforcement of Debt Service Payments**

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds and Notes were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depositary for such Bond and Note issue. These withholding provisions are not part of any contract with the holders of the Bonds and Notes, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally. See "Pennsylvania Budget Adoption" hereinafter.

## Pennsylvania Budget Adoption

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. On November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-21 fiscal year.

The Governor timely signed the state's 2021-22 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a then record high of \$13.55 billion in the 2021-22 budget.

After a week's delay and intense negotiations, a \$42.7 billion budget for the state's 2022-23 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement school districts with a higher at risk student population. The total amount was a \$525 million increase over the 2021-22 fiscal year appropriation.

After over a month delay, a \$44.9 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 23, which included \$7.87 billion for the basic education funding appropriation. The total amount was a \$567 million increase over the 2022-23 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.4 billion. Certain funds authorized within the 2023-24 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 Budget for education.

Governor Josh Shapiro signed the state's budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget includes \$8.097 billion for the basic education funding appropriation. The total amount is a \$225 million increase over the 2023-24 fiscal year appropriation. The budget also provides \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. (See "Act 85 of 2016" hereinafter).

#### Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by the Pennsylvania Department of Education ("PDE") to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

## **Sinking Fund**

Sinking funds for the payment of debt service on the Bonds and Notes, designated "Sinking Fund, General Obligation Bonds, Series A of 2024", "Sinking Fund, General Obligation Notes, Series B of 2024" and "Sinking Fund, General Obligation Bonds, Series C of 2024" and one or more accounts therein (the "Sinking Funds"), have been authorized to be created under the Resolution and shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the applicable Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds and Notes so that on each payment date the applicable Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Funds shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon shall be a part of the Sinking Funds.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Funds the principal of and interest on the Bonds, as and when due and payable.

## **BOOK-ENTRY ONLY SYSTEM**

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and Notes. The Bonds and Notes will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity and series of the Bonds and Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond and Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds and Notes, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds and Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds and Notes may wish to take certain steps to augment

the transmission to them of notices of significant events with respect to the Bonds and Notes, such as redemptions, tenders, defaults, and proposed amendments to the Bond and Note documents. For example, Beneficial Owners of Bonds and Notes may wish to ascertain that the nominee holding the Bonds and Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds and Notes within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds and Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds and Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds and Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and Notes at any time by giving reasonable notice to Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond and Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN THEREUNDER; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

## THE SCHOOL DISTRICT

#### Introduction

The School District is located in the extreme north-central part of Centre County in the central part of Pennsylvania. The School District covers approximately 114.7 square miles and is coterminous with the political boundaries of the Borough of Bellefonte and the Townships of Marion, Spring, Walker and portions of Benner Township. The School District is located in a growing rural, small town setting with the convenience of Cities such as New York and Philadelphia within easy driving distance. The Borough of Bellefonte is located at the geographic center of Pennsylvania and is the county seat of Centre County. The area represents a wealth of business and industries that manufacture electronic components, extrusion presses, lime, research chemicals, brass and building products. A short distance from the main campus of Pennsylvania State University, the School District offers resident recreation, affordable housing, plus many conveniences.

## Administration

The School District is a third class school district (school districts within the Commonwealth are classified as first, second, third and fourth class according to population) and operates under and pursuant to the Code, as amended and supplemented. The School District is governed by a nine member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Director of Fiscal Affairs is responsible for budget and financial operations. The School Board selects both officials.

#### **School Facilities**

The School District presently operates four elementary schools, a middle school and a senior high school, all as described in the following table.

TABLE 1
BELLEFONTE AREA SCHOOL DISTRICT
SCHOOL FACILITIES

	Original	Addition/		Rated	
	Construction	Renovation		Pupil	2023-24
Building	Date	Date(s)	Grades	Capacity	Enrollment
Elementary:					
Bellefonte Borough	1942	1964	K-5	575	309
Benner	1962	-	K-5	300	242
Marion-Walker	1962	2007	K-5	375	373
Pleasant Gap	1950	1974	K-5	350	200
Secondary:					
Middle School	1964	1998	6-8	964	623
High School	1956	2008	9-12	1,200	844

Source: School District officials.

## **Enrollment Trends**

The following table presents recent trends in school enrollment and projections of enrollment for over the next five years, as prepared by School District officials.

TABLE 2
BELLEFONTE AREA SCHOOL DISTRICT ENROLLMENT TRENDS

Actual Enrollments		Projected Enrollments					
School			<u> </u>	School			
<b>Year</b>	<b>Elementary</b>	Secondary	<b>Total</b>	<b>Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2019-20	1,167	1,509	2,676	2024-25	1,143	1,435	2,578
2020-21	1,155	1,498	2,653	2025-26	1,146	1,383	2,529
2021-22	1,156	1,476	2,632	2026-27	1,144	1,376	2,520
2022-23	1,172	1,414	2,586	2027-28	1,147	1,370	2,517
2023-24	1,124	1,467	2,591	2028-29	1,138	1,356	2,494

Source: School District officials.

#### SCHOOL DISTRICT FINANCES

#### Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Fiscal Affairs and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

## **Financial Reporting**

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units.

The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. As of the date hereof, the firm of Baker Tilly Virchow Krause, LLP, State College, Pennsylvania, currently serves as School District auditor.

#### **Budgeting Process in School Districts under the 2006 Taxpayer Relief Act**

<u>In General</u>. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

<u>Procedures for Adoption of the Annual Budget</u>. Under the Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 ("Act 1" or the "Taxpayer Relief Act"), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "Limitations on Local Taxes" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of Taxpayer Relief Act referendum exceptions for which PDE approval is required (*see* "Limitations on Local Taxes" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

## **Summary and Discussion of Financial Results**

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past four years, estimated 2023-24 and the 2024-25 Budget. The Budget for 2024-25, budgets for revenues of \$59,205,000 and expenditures of \$62,200,000 which includes a budgetary reserve of \$125,000.

TABLE 3
BELLEFONTE AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS	-			
Cash and Cash Equivalents	\$15,469,461	\$15,627,079	\$16,861,207	\$18,525,042
Taxes Receivable	1,054,370	934,310	918,069	967,652
Due from Other Funds/Interfund Receivables	183,752	427,841	1,302	5,848
Intergovernmental Receivables	1,424,639	1,679,684	2,022,032	1,457,433
Prepaid Expenses/Expenditures	0	0	23,367	26,731
Other Receivable	827,014	648,908	680,418	650,067
TOTAL ASSETS	\$18,959,236	\$19,317,822	\$20,506,395	\$21,632,773
LIABILITIES				
Accounts Payable	\$1,139,180	\$1,305,032	\$1,491,378	\$1,985,455
Accrued Salaries and Benefits	3,067,547	3,206,919	3,309,397	3,384,794
Payroll Deducts and Withholdings	2,019,266	2,057,938	2,119,874	1,912,924
Deferred/Unearned Revenues	505,992	444,955	164,782	26,077
TOTAL LIABILITIES	\$6,731,985	\$7,014,844	\$7,085,431	\$7,309,250
Deferred Inflows of Resources	\$0	\$0	\$374,761	\$403,955
FUND EQUITIES	_			
Committed Fund Balance	2,725,662	2,475,662	2,850,662	3,475,662
Assigned Fund Balance	0	9,827,316	0	26,731
Unassigned Fund Balance	9,501,589	0	10,195,541	10,417,175
TOTAL FUND EQUITIES	\$12,227,251	\$12,302,978	\$13,046,203	\$13,919,568
TOTAL LIABILITIES, DEFERRED INFLOWS				
OF RESOURCES AND FUND EQUITIES	\$18,959,236	\$19,317,822	\$20,506,395	\$21,632,773

Source: School District Annual Financial Reports.

## TABLE 4 BELLEFONTE AREA SCHOOL DISTRICT GENERAL FUND SUMMARY OF CHANGES IN FUND BALANCE\* (Years ending June 30)

		Act	Estimated	Budgeted		
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	2024(1)	2025(2)
Beginning Fund Balance	\$14,319,552	\$12,227,251	\$12,302,981	\$13,046,208	\$13,919,573	\$15,617,182
Revenues over (under) Expenditure	(2,092,301)	75,729	743,226	873,365	1,697,609	(2,995,000)
Change in Inventory Reserve/Prior Pd. Adj.						
Ending Fund Balance	\$12,227,251	\$12,302,981	\$13,046,208	\$13,919,573	\$15,617,182	\$12,622,182

\*Totals may not add due to rounding.

(1) Estimated, subject to change and final audit.
(2) Budget, as adopted June 11, 2024.
Source: School District Annual Financial Reports and Budget.

## Revenue

The School District received an estimated \$62,479,605 in revenue in 2023-24 and has budgeted revenue of \$59,205,000 in 2024-25. Local sources contributed an decreasing share of the total revenue in the past five years, from 65.12% in 2019-20 to an estimated 62.92% in 2023-24. Revenue from Commonwealth sources contributed an decreasing share of the total revenue from 33.81% to an estimated 33.02% over this period. Federal and other sources increased as a share of the total revenue from 1.07% to an estimated 4.06% during this period.

## TABLE 5 BELLEFONTE AREA SCHOOL DISTRICT SUMMARY OF SCHOOL DISTRICT GENERAL FUND REVENUES AND EXPENDITURES\* (For years ending June 30)

		Ac	tual		Estimated	Budget
REVENUE:	2020	2021	2022	2023	2024(1)	$2025^{(2)}$
Total Local Sources	\$33,990,211	\$33,928,306	\$35,047,181	\$36,934,049	\$39,310,105	\$38,389,876
Total State Sources	17,648,953	17,831,330	18,189,390	19,338,395	20,630,903	20,310,124
Total Federal Sources	559,890	1,133,028	2,049,786	2,168,200	2,538,597	505,000
Total Other Sources	0	0	5,927,957	0	0	0
TOTAL REVENUE	\$52,199,054	\$52,892,665	\$61,214,314	\$58,440,644	\$62,479,605	\$59,205,000
EXPENDITURES:						
Instruction	\$30,712,094	\$32,659,834	\$33,432,693	\$33,992,617	\$34,865,917	\$36,787,399
Pupil Personnel	1,472,374	1,538,274	1,582,115	1,722,145	1,685,643	1,832,251
Instructional Staff	1,151,208	1,043,960	1,066,168	1,260,453	1,278,730	1,470,185
Administration	3,639,590	3,292,684	3,539,327	3,490,383	3,825,539	3,669,587
Pupil Health	370,942	376,155	393,479	489,907	416,339	465,761
Business	642,193	652,174	663,265	534,410	568,579	600,662
Operation and Maintenance of Plant Services	7,611,430	4,874,545	5,262,360	6,377,017	5,884,131	6,385,024
Student Transportation Services	2,217,405	2,277,940	2,402,317	2,467,519	2,598,178	2,569,823
Central	1,112,342	1,284,734	1,365,601	1,700,617	1,798,145	1,851,705
Other Support Services	0	0	0	0	0	0
Operation of Noninstructional Services	1,023,832	886,138	950,535	1,129,517	265,849	243,752
Fac. Acq. Constr. & Imprv. Svs.	0	0	0	0	0	0
Debt Service	3,937,944	3,830,498	9,613,230	3,952,695	4,269,946	4,148,851
Refund of Prior Year Receipts	0	0	0	0	0	0
Fund Transfers	400,000	100,000	200,000	450,000	3,325,000	2,050,000
Budgetary Reserve	0_	0	0	0	0	125,000
TOTAL EXPENDITURES	\$54,291,355	\$52,816,937	\$60,471,089	\$57,567,279	\$60,781,996	\$62,200,000
SURPLUS (DEFICIT) OF						
REVENUES OVER EXPENDITURES	(\$2,092,301)	\$75,728	\$743,225	\$873,365	\$1,697,609	(\$2,995,000)

Source: School District Annual Financial Reports and Budget.

<sup>\*</sup>Totals may not add due to rounding.

(1) Estimated, subject to change and final audit.

<sup>(2)</sup> Budget, as adopted June 11, 2024.

#### TAXING POWERS OF THE SCHOOL DISTRICT

Subject to certain limitations imposed by the Taxpayer Relief Act (described below), the School District is empowered by the School Code and other statutes to levy the following taxes:

- 1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
- 2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for minimum salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
- 3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than \$1.00 and not more than \$10.00.
- 4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

## **Limitations on Local Taxes**

Under the Taxpayer Tax Relief Act a school district may not levy any new tax for the support of the public schools or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

- 1. to pay interest and principal on indebtedness originally incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
- 2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
- 3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

Fiscal Year	<u>Index</u>
2019-20	2.8%
2020-21	3.3%
2022-23	4.3%
2023-24	5.1%
2024-25	6.6%

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The information set forth above is a summary of the Taxpayer Relief Act. This summary is not intended to be an exhaustive discussion of the provisions of the Taxpayer Relief Act nor a legal interpretation of any provision of the Taxpayer Relief Act and a prospective purchaser of the Bonds should review the full text of the Taxpayer Relief Act as a part of any decision to purchase the Bonds.

#### Status of the Bonds and Notes Under Act 1

A portion of the 2017 Bonds, 2008 Bonds and the 2022 Notes described in this Official Statement are being issued to refund indebtedness that was originally approved ("incurred") by the School District under the Local Government Unit Debt Act prior to June 27, 2006, the effective date of the Taxpayer Relief Act. The School District already has levied and has in place sufficient tax millage to provide for payment of the annual debt service on the indebtedness being refunded. The annual debt service on the 2017 Bonds, 2008 bonds and the 2022 Notes will be less than or approximately equal to the annual debt service on the indebtedness being refunded by the 2017 Bonds, 2008 bonds and the 2022 and, therefore, for the School District does not expect to levy any new tax or to increase the rate of any existing tax in order to provide for payment of the interest and principal of the 2017 Bonds, 2008 bonds and the 2022.

#### Act 24 of 2001

Act 24 of 2001 of the Commonwealth, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% (each receive 0.5%) tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under Act 24, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

Beginning with the 2002-03 school year the occupation tax was eliminated and the earned income tax levy was increased, the School District's share of this increase is 1.05 percent.

## Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

	Estimated Ending Unassigned Fund Balance
Total Budgeted Expenditures*	as a Percentage of Total Budgeted Expenditures
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

"Estimated ending unreserved fund balance" is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district's budget was adopted and held in the general fund accounts of the school district.

## Tax Levy Trends

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, Centre County and the municipalities within the School District.

TABLE 6
BELLEFONTE AREA SCHOOL DISTRICT TAX RATES

		Real Estate	Wage and	Local
	Real Estate	Transfer	Income	Services Tax
	(mills)	(%)	(%)	(\$)
2020-21	50.213	0.50	1.05	5.00
2021-22	50.452	0.50	1.05	5.00
2022-23	51.460	0.50	1.05	5.00
2023-24	52.510	0.50	1.05	5.00
2024-25	54.349	0.50	1.05	5.00

Source: Department of Community and Economic Development – Municipal Statistics.

TABLE 7

BELLEFONTE AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	2024
School District	50.213	50.452	51.460	52.510	54.349
Bellefonte Borough	17.765	17.765	18.265	18.265	18.265
Benner Township	1.890	1.890	1.890	1.890	1.890
Marion Township	2.000	2.000	2.000	2.000	2.000
Spring Township	4.500	4.500	4.500	4.500	4.500
Walker Township	1.340	1.340	1.340	1.340	1.340
Centre County	7.840	7.840	7.840	7.840	7.840

Source: Local Government Officials.

## **Real Property Tax**

The real property tax (excluding delinquent collections) produced an estimated \$27,760,066 in 2022-23, approximately 44.4% of total revenue. The School District fiscal year is from July 1 through June 30 and tax bills are issued on August 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after August 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide reassessment in Centre County was completed in 1995.

TABLE 8
BELLEFONTE AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

	Market	Assessed	
Year	Value	Value	Ratio
2019-20	\$1,570,515,429	\$528,803,340	33.67%
2020-21	1,650,275,674	539,125,600	32.67%
2021-22	1,682,521,180	549,164,645	32.64%
2022-23	1,817,816,938	555,190,560	30.54%
2023-24	1,872,732,727	569,342,055	30.40%
Compound Average Annual Percentage Change	2.56%	1.10%	

Source: Pennsylvania State Tax Equalization Board.

TABLE 9
BELLEFONTE AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2022	2022	2023	2023
	Market	Assessed	Market	Assessed
	Value	Value	Value	Value
School District	\$1,817,816,938	\$555,163,560	\$1,872,732,727	\$569,342,055
Bellefonte Borough	343,668,899	101,982,605	345,133,265	102,302,990
Benner Township (P)	416,995,690	126,860,785	445,653,520	134,537,915
Marion Township	88,585,826	26,936,360	90,526,292	27,451,130
Spring Township	607,730,258	190,192,445	624,408,922	194,325,740
Walker Township	360,836,265	109,191,365	367,010,728	110,724,280
Centre County	12,698,719,422	3,722,011,365	12,826,925,823	3,754,211,768

(P) Portion located within School District

Source: Pennsylvania State Tax Equalization Board.

TABLE 10 BELLEFONTE AREA SCHOOL DISTRICT ASSESSMENT BY LAND USE

	<u>2019</u>	<u>2020</u>	<u>2021</u>	2022	2023
Residential	\$379,802,505	\$388,417,300	\$395,009,840	\$400,403,350	\$410,692,370
Trailers	3,954,785	3,926,220	3,915,425	3,884,085	3,895,280
Seasonal	947,715	963,005	963,005	953,410	922,410
Lot	5,583,250	5,213,800	4,802,010	4,787,870	5,060,495
Industrial	17,615,275	17,628,775	18,373,975	18,373,975	18,292,735
Commercial	79,692,055	81,584,715	83,726,305	84,262,980	87,206,305
Agriculture	35,348,175	35,613,770	36,351,915	36,620,830	37,304,480
Oil/Gas/Mineral	3,130,400	3,129,900	3,309,400	2,928,100	3,112,350
Land	2,729,180	2,648,115	2,712,770	2,975,960	2,855,630
Total	\$528,803,340	\$539,125,600	\$549,164,645	\$555,190,560	\$569,342,055

Source: Pennsylvania State Tax Equalization Board.

## TABLE 11 BELLEFONTE AREA SCHOOL DISTRICT REAL PROPERTY TAX COLLECTION DATA

					Current Year		Total
				Current	Collections	Total	Collections
	Assessed		Gross Adjusted	Collections	as a	Collections	as
<u>Year</u>	<b>Valuation</b>	<u>Mills</u>	<u>Levy</u>	<b>Amount</b>	Percent	Amount(1)	<b>Percent</b>
2019-20	\$530,094,390	50.2131	\$25,475,839	\$24,559,690	96.40%	\$25,117,998	98.60%
2020-21	538,716,825	50.2131	25,875,450	24,964,032	96.48%	25,545,657	98.73%
2021-22	550,298,575	50.4518	26,590,480	25,772,192	96.92%	26,362,067	99.14%
2022-23	558,892,730	51.4603	27,281,841	26,443,239	96.93%	26,923,355	98.69%
2023-24(Estimated)	574,471,065	52.5103	28.682.597	27,760,066	96.78%	28,181,738	98.25%

<sup>&</sup>lt;sup>(1)</sup>Includes delinquent real estate collection.

The ten largest real property taxpayers, together with 2023-24 assessed values, are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 4% of total assessed value.

TABLE 12
BELLEFONTE AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

	2023-24
Owner	Assessed Values
Restek Corporation	\$3,261,420
Graystone Court Bellefonte, LLC	2,709,700
Weis Markets, Inc.	2,650,780
Healthsouth PA Real Estate LLC	2,580,945
Land of Paradise LLC	2,349,220
Allegheny Lutheran Social	2,229,660
Bellefonte Lime Company	2,183,995
SAC Corporation	1,981,330
Silcotek Corporation	1,648,895
Penn State Federal Credit Union	1,334,060
	\$22,930,005

Source: County officials.

## Other Taxes

Under Act 511, the School District collected an estimated \$8,752,079 in other taxes in 2023-24. Its limit under Act 511, equal to 12 mills on the market value of real property, was \$22,472,793. Among the Act 511 taxes collected are:

Real Estate Transfer. A tax of 0.5 % of the value of real estate transfers and is anticipated to yield an estimated \$900,874 in 2023-24 of School District revenues.

Earned Income Tax. A tax of 1.05% is levied on the earned income of residents. The School District is anticipating this tax to yield an estimated \$7,780,178 in 2023-24 of School District revenues.

Local Services Tax (previously levied as Emergency and Municipal Services Tax). The School District levies a tax \$5.00. The School District is anticipating this tax to yield an estimated \$71,027 in 2023-24 of School District revenues.

#### COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, the basic instructional subsidy, is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth. School districts also receive subsidies for special education, pupil transportation; vocational education, health service and debt service are also received by the school district.

## **Current Lack of State Appropriations for Debt Service Subsidies**

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (54.13%) or the wealth based Market Value Aid Ratio ("MVAR") currently (47.31%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the 2024A Notes will not be subject to reimbursement by the Commonwealth.

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the 2024B Notes will be 28.19% (there has been no determination by the PDE). The School District's CARF (which is higher than the MVAR) is 54.13%. The product of these two factors is 15.26%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth,

subject to annual appropriation. In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the 2024C Bonds will be 40.42% (there has been no determination by the PDE). The School District's CARF (which is higher than the MVAR) is 54.13%. The product of these two factors is 21.88%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth, subject to annual appropriation. In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenues Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 adopted by the State legislature modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the Commonwealth would start to allow applicants to enter into the new program.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

## **DEBT AND DEBT LIMITS**

## **Debt Statement**

Table 13 shows the debt of the School District as of September 16, 2024 including the issuance of the estimated Bonds and Notes.

# TABLE 13 BELLEFONTE AREA SCHOOL DISTRICT DEBT STATEMENT (As of September 16, 2024)\*

	Gross
	Outstanding
NONELECTORAL DEBT	
General Obligation Notes, Series A of 2024	\$32,825,000
General Obligation Notes, Series B of 2024	1,080,000
General Obligation Bonds, Series C of 2024	2,510,000
General Obligation Bonds, Series of 2023	14,075,000
General Obligation Bonds, Series of 2017 <sup>(1)</sup>	2,380,000
General Obligation Note, Series AA of 2014**	654,306
General Obligation Bonds, Series of 2011	1,099,706
TOTAL NONELECTORAL DEBT	\$54,624,012
LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	\$0
TOTAL PRINCIPAL OF DIRECT DEBT	\$54,624,012

<sup>(1)</sup>Remaining portion

<sup>\*</sup>Includes the estimated Bonds and Notes offered through this Preliminary Official Statement. Does not include the Refunded 2008 Bonds, the Refunded 2022 Notes or the Refunded 2017 Bonds.

<sup>\*\*</sup>School District's 45.40% share of School Building Revenue Bonds (Central Pennsylvania Institute of Science and Technology Project) Series A of 2014 and Series AA of 2014.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the estimated Bonds and Notes, principal of direct debt of the School District will total \$54,624,012. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$54,056,912.

## TABLE 14

## BELLEFONTE AREA SCHOOL DISTRICT BONDED INDEBTEDNESS AND DEBT RATIOS (As of September 16, 2024)\*

	_	Local Effort or Net of Available Funds
	Gross	and Estimated
	Outstanding	Commonwealth aid <sup>(1)</sup>
DIRECT DEBT		
Nonelectoral Debt	\$54,624,012	\$54,056,912
Lease Rental Debt	0	0
TOTAL DIRECT DEBT	\$54,624,012	\$54,056,912
OVERLAPPING DEBT		
Centre County	\$5,351,634	\$5,351,634
Centre County	7,933,974	7,933,974
TOTAL OVERLAPPING DEBT	\$13,285,608	\$13,285,608
TOTAL DIRECT AND OVERLAPPING DEBT	\$67,904,620	\$67,357,576
DEBT RATIOS		
Per Capita	\$2,281.36	\$2,262.98
Percent 2023-24 Assessed Value	11.93%	11.83%
Percent 2023-24 Market Value	3.63%	3.60%

<sup>\*</sup>Includes the estimated Bonds and Notes offered through this Preliminary Official Statement. Does not include the Refunded 2008 Bonds, the Refunded 2022 Notes or the Refunded 2017 Bonds.

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service and expected future State reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts." <sup>(2)</sup>Pro rata 14.6 percent share of \$36,655,000 principal amount outstanding.

## **Debt Limit and Remaining Borrowing Capacity**

Electoral debt, i.e., debt approved by the voters at a general or special election, may be incurred without limit. Nonelectoral debt and lease rental debt area subject to a statutory borrowing limit.

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total "Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt represented by the Bonds. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2021-22 Total Revenues for 2022-23	\$ 52,909,723 \$ 56,219,135
Total Revenues for 2023-24 (estimated)  Total Revenues, Past Three Years	\$ 59,646,714 \$168,775,572
Annual Arithmetic Average (Borrowing Base)	\$ 56,258,524

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	Legal <u>Limit</u>	Net Debt <u>Outstanding*</u>	Remaining Borrowing <u>Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base	\$126,581,679	\$54,624,012	\$71,957,667

<sup>\*</sup>Includes the estimated Bonds and Notes offered through this Preliminary Official Statement. Does not include the Refunded 2008 Bonds, the Refunded 2022 Notes or the Refunded 2017 Bonds.

## **Debt Service Requirements**

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds and Notes.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

#### TABLE 15

## BELLEFONTE AREA SCHOOL DISTRICT DEBT SERVICE REQUIREMENTS\*

	Other Outstanding										
	General		Series A			Series B			Series C		
	Obligation		of 2024		-	of 2024			of 2024		Total
Fiscal Year	Debt*	<b>Principal</b>	<u>Interest</u>	Subtotal	<b>Principal</b>	<u>Interest</u>	Subtotal	<b>Principal</b>	<u>Interest</u>	Subtotal	Requirements
2024-25	\$4,842,307										
2025-26	4,838,547										
2026-27	4,287,794										
2027-28	4,245,564										
2028-29	1,802,731										
2029-30	1,802,231										
2030-31	1,804,481										
2031-32	1,802,096										
2032-33	1,803,750										
2033-34	1,803,500										
2034-35	1,800,000										
2035-36	1,803,250										
2036-37	1,802,750										
2037-38	1,803,500										
Total	\$37,402,751										

<sup>\*</sup>Totals may not add due to rounding.

## TABLE 16

## BELLEFONTE AREA SCHOOL DISTRICT COVERAGE OF DEBT SERVICE AND LEASE RENTAL REQUIREMENTS BY COMMONWEALTH AID\*

2023-24 (estimated) Commonwealth Aid Received	\$20,630,903
2023-24 (estimated) Debt Service Requirements	\$4,269,946
Maximum Future Debt Service Requirements after Issuance of Bonds	
Coverage of 2023-24 (estimated) Debt Service Requirements	4.83 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	

<sup>\*</sup>Assumes current Commonwealth Aid Ratio. See "Commonwealth Aid to School Districts."

## **Future Financing**

The School District expects to issue additional debt of approximately \$10,000,000, to fund the completion of the elementary school building project.

## LABOR RELATIONS

## **School District Employees**

There are presently 432 employees of the School District, including 235 teachers, 23 administrators/supervisory and 174 custodial, maintenance and support personnel.

The School District's professional employees, other than administrators, are represented by the Bellefonte Area Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract, which will expire on June 30, 2026.

The support personnel are represented by the Bellefonte Area Educational Support Personnel Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract, which will expire on June 30, 2027.

## **Pension Program**

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employees' salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.9% for the fiscal year 2024-25.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2019-20	\$7,253,000
2020-21	\$7,207,000
2021-22	\$7,232,694
2022-23	\$7,576,164
2023-24 (estimated)	\$7,604,734
2024-25 (budgeted)	\$7,921,739

At June 30, 2023, the School District reported a liability of \$62,420,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District's proportion as .1404% which was a decrease of .0024% from its proportion measured as of June 30, 2022.

As of June 30, 2023, the PSERS plan was 61.60% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS' rate of return for fiscal year ended June 30, 2023 was 3.54%. The Fund had plan net assets of \$72.8 billion at June 30, 2023. For more information, visit the PSERS website at <a href="www.psers.pa.gov">www.psers.pa.gov</a>, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

## **Other Post-Employment Benefits**

The District administers a single employer defined benefit health care plan (the "Plan"). The Plan provides healthcare insurance (medical, prescription, dental and vision) for eligible retirees through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the Union representing District employees and are renegotiated periodically. The retiree health plan does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Standard No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45") using the alternative measurement method permitted for single employers with fewer than one hundred total plan members.

Contribution requirement are also negotiated between the District and the Union representatives. The District contributed 36.6 percent of the cost of current year premiums for eligible retired plan members. For fiscal year 2016, the District contributed \$165,603 to the Plan. Plan members receiving benefits contributed between 20-40 percent of their premium costs. In fiscal year 2022, total member contributions were \$161,149.

For a full description of the District's post-employment benefit plan, please refer to Appendix C – Audited Financial Statements – Note 11.

## LITIGATION

At the time of settlement, the President or Vice-President and Solicitor of the School District, will deliver a certificate dated as of the date of delivery of and payment for the Bonds and Notes, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds and Notes; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District to the effect that such litigation is without legal merit.

## **DEFAULTS AND REMEDIES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds and Notes, as the same becomes due and payable, the holders of the Bonds and Notes shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds and Notes may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## TAX MATTERS

#### **State Tax Matters**

In the opinion of Bond Counsel, the Bonds and Notes, and the interest income therefrom, are free from taxation for purposes of personal income and corporate net income taxes within the Commonwealth of Pennsylvania.

The residence of a holder of a Bond or Note in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such other state or its political subdivisions based on the interest or other income from the Bonds and Notes.

## **Federal Income Tax Matters**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds and Notes (including, in the case of Bonds and Notes sold at an original issue discount, the difference between initial offering price and accrued value) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on and accruals of original issue discount with respect to the Bonds and Notes is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal alternative minimum taxes imposed on individuals.

Original Issue Discount

The Bonds and Notes that mature on through and including (collectively, the "Tax-Exempt Discount and Notes") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond or note at maturity (par) over the price to the public at which a substantial amount of bonds and notes of the same maturity are sold pursuant to the initial offering. Under the Code, OID on each Tax-Exempt Discount Bond or Note will accrue over its term and the amount of accretion will be based on the yield to maturity, compounded semi-annually. The amount of OID that accrues during each semi-annual period will do so ratably within that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond or Note at its initial offering price, the portion of OID that accrues during the period that such purchaser owns such Bond and Note is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Tax-Exempt Discount Bond or Note and thus, in practical effect, is treated as interest, which is excludable from gross income for federal income tax purposes.

Holders of Tax-Exempt Discount Bonds and Notes should consult their own tax advisors as to the effect of OID with respect to their federal tax liability.

Original Issue Premium

The Bonds and Notes that mature on \_\_\_\_\_ through and including \_\_\_\_\_ (collectively, the "Tax-Exempt Premium Bonds") are being offered and sold to the public at an original issue premium ("OIP"). An amount equal to the excess of the issue price of a Tax-Exempt Premium Bond and Note over its stated redemption price at maturity constitutes OIP on such Tax-Exempt Premium Bond and Note. An initial purchaser of a Tax-Exempt Premium Bond and Note must amortize any OIP over such Tax-Exempt Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Tax-Exempt Premium Bonds and Notes callable prior to their maturity,

by amortizing the OIP to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As OIP is amortized, the purchaser's basis in such Tax-Exempt Premium Bond and Note is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Tax-Exempt Premium Bond or Note prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Tax-Exempt Premium Bonds and Notes should consult with their tax advisors with respect to the determination and treatment of OIP for federal income tax purposes and with respect to the state and local tax consequences of owning a Tax-Exempt Premium Bond and Note.

## Interest Expense Deductions for Financial Institutions

Under Section 265 of the Code, financial institutions are denied any deduction for interest expenses that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which permits a deduction for 80% of such interest expenses, is provided in respect of certain tax-exempt obligations issued by a qualified issuer that specifically designates such obligations as "qualified tax-exempt obligations" under Section 265 of the Code.

The School District has <u>not</u> designated the Bonds and Notes as "qualified tax-exempt obligations" for the purposes and effect contemplated by Section 265 of the Code.

Financial institutions intending to purchase Bonds and Notes should consult their own tax advisors to determine the effect of the interest expense deduction on their federal tax liability.

#### Continuing Compliance

The Code imposes various terms, restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds and Notes. The School District has covenanted to comply with all such requirements, including non-arbitrage requirements under Section 148 of the Code, that are necessary to ensure that interest on the Bonds and Notes will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds and Notes being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds and Notes. The opinion of Bond Counsel assumes compliance with the aforesaid covenants. Moreover, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds and Notes may adversely affect the tax-exempt status of the interest on the Bonds and Notes.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds and Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Such changes or actions could constitute an exchange or other tax event with respect to the Bonds and Notes, which could result in gain or loss to the holder of a Bond or Note, and a consequent tax liability.

Pursuant to its continuing disclosure obligations made pursuant to SEC Rule 15c2-12 (see "Continuing Disclosure Undertaking" herein), the School District may be required to provide notice of such changes or actions, as Material Events under said Rule. However, holders of the Bonds and Notes should consult their own tax advisors as to the effect of such changes or actions with respect to their federal tax liability.

## Collateral Tax Liabilities

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds and Notes may result in other collateral effects on a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion; each Bondholder or potential Bondholder is urged to consult with its own tax advisors with respect to the effects of purchasing, holding or disposing of the Bonds and Notes on its tax liabilities.

Tax consequences for certain taxpayers include, without limitation, resulting in corporate alternative minimum tax under Section 55 of the Code on adjusted financial statement income of applicable corporations, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits under Section 86 of the Code, limiting the use of the Earned Income Credit under Section 32 of the Code, limiting the use of the refundable credit for coverage under a qualified health plan under Section 36B of the Code, and denying an interest expense deduction to certain financial institutions under Section 265 of the Code (unless, and in the circumstance when, the Bonds have been designated by the issuer as "qualified tax-exempt obligations").

## Change in Law; Adverse Determinations

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States or the various state legislatures, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal and state tax matters described above or affect the market value of the Bonds and Notes. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds and notes issued prior to enactment. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") regularly audits tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No prediction can be made whether or not the Service will commence an audit of the Bonds and Notes. If an audit is commenced, under current procedures, the Service may treat the School District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds and Notes until such time as the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, such as the Bonds and Notes, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or to any Bondholder who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE EFFECT ON THEIR FEDERAL, STATE OR LOCAL TAX LIABILITY AND GENERAL FINANCIAL AFFAIRS OF HOLDING THE BONDS AND NOTES OR RECEIVING INTEREST THEREON.

#### BONDHOLDER CONSIDERATIONS

The Bonds and Notes, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds and Notes should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds and Notes, their ability to bear a loss from an investment in the Bonds and Notes and the suitability of investing in the Bonds and Notes, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire official Statement inclusive of its Appendices.

## Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District and the s, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

## Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

## Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds and Notes. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to

defend the tax-exempt status of the Bonds and Notes on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds and Notes. See "TAX MATTERS" herein.

#### CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"), the School District (being an "obligated person" with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix C.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or it operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined "obligated persons") with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <a href="http://www.emma.msrb.org">http://www.emma.msrb.org</a>.

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

## **Existing Continuing Disclosure Filing History**

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year	Filing
Ending	Deadline [1]
6/30/2019	12/27/2019
6/30/2020	12/27/2020
6/30/2021	03/27/2022
6/30/2022	03/27/2023
6/30/2023	03/26/2024

<b>Financial Statements</b>				
Filing Date	EMMA ID <sup>[2]</sup>			
12/20/2019	ES1022531			
12/22/2020 (3)	P11107418			
12/20/2021 (4)	P21161618			
12/20/2022 (5)	P11246274			
12/19/2023	P11300101			

Budget				
Filing Date	EMMA ID <sup>[2]</sup>			
12/20/2019	ES1022531			
12/20/2020	P11107418			
03/30/2022	P11204188			
12/20/2022	P11246274			
12/19/2023	P11300101			

Operating Data				
Filing Date	EMMA ID <sup>[2]</sup>			
12/20/2019	ES1022531			
12/20/2020	P11107418			
12/20/2021	<sup>(6)</sup> P21161618			
12/20/2022	(6) P11246274			
12/19/2023	P11300101			

#### Notes

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

#### **Failure to Provide Annual Financial Information**

As outlined in the table above, the School District failed to provide certain annual financial information in a timely manner during the past (5) five years. The School District filed a "Failure to Provide Annual Financial Information" notice to EMMA on October 31, 2023.

## **Future Continuing Disclosure Compliance**

The School District will execute a Continuing Disclosure Undertaking in accordance with Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule"). A form of the Continuing Disclosure Undertaking is provided in Appendix E hereof.

In an effort to maintain future compliance with the Rule, the School District will take steps intended to assure compliance with its Continuing Disclosure Undertaking. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

## **RATING**

S&P Global Ratings, a business unit of Standard Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "\_\_\_\_\_" (\_\_\_\_Outlook) to the Bonds and Notes and will do so with the understanding that upon delivery of the Bonds and Notes, a municipal bond insurance policy with respect to the Bonds and Notes will be issued by \_\_\_\_\_\_. Moody's Investor Service has assigned an underlying municipal bond rating of "Aa3" to this issue of Bonds and Notes. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, 38th Floor, New York, New York 10041 and Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

The above ratings are not recommendations to buy, sell, or hold the Bonds and Notes, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market priced of the Bonds. See "BOND AND NOTE INSURANCE" herein.

<sup>[1]</sup> For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

<sup>[2]</sup> Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below: http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId

<sup>[3]</sup> Timely filing of the District's audit on 12/22/2020 (not signed) and again on 1/14/2021 (signed).

<sup>[4]</sup> Timely filing of the District's audit on 12/20/2021 (not signed) and again on 9/19/2024 (signed).

<sup>[5]</sup> Interim filing date, the School District subsequently filed the audit, when it became available on 10/31/2023, along with a Failure to Timely File Notice to EMMA.

<sup>[6]</sup> Voluntary filings

#### **UNDERWRITING**

Raymond James & Associates, Inc., Lancaster, Pennsylvania (the "Underwriter") subject to certain conditions, has purchased the Bonds and Notes from the School District at a purchase price of \$ (representing the par amount of the Bonds and Notes of \$ , [plus/less] an original issue [premium/discount] of \$ less an underwriting discount of \$ ). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds and Notes on the Delivery Date if any such Bonds and Notes are purchased. The Bonds and Notes may be offered and sold to certain dealers (including dealers depositing such bonds and notes into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

#### LEGAL OPINIONS

The Bonds and Notes are offered with the approving legal opinion of Dinsmore & Shohl LLP, of Pittsburgh, Pennsylvania, Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by Beard Legal Group PC, Altoona, Pennsylvania, School District Solicitor and by McNees Wallace & Nurick LLC, of Harrisburg, Pennsylvania, Limited Scope Underwriter's Counsel..

#### FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds and Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

#### **MISCELLANEOUS**

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds and Notes.

Use of the words "shall," "will," "must," or other words of similar import or meaning in summaries of documents or law in this Preliminary Official Statement to describe future events or continuing obligations is not intended as a representation that such event will occur or such obligations will be fulfilled, but only that the document or law requires or contemplates such event to occur or such obligation to be fulfilled.

The School District has authorized the distribution of this Preliminary Official Statement.

CEN.	TRE COUNTY, PENNSYLVANIA
By:	
ъy.	President, Board of School Directors

BELLEFONTE AREA SCHOOL DISTRICT,



# APPENDIX A Demographic and Economic Information Relating to the Bellefonte Area School District



#### **Population**

The population of the School District has grown at a fast rate, mainly due to the explosive growth of The Pennsylvania State University.

Table A-1 shows population trends for the School District, Centre County and the Commonwealth. Table A-2 shows 2020 age composition and average number of persons per household in Centre County and for the Commonwealth.

#### TABLE A-1 POPULATION TRENDS

			Compound Average Annual Percentage Change
<u>Area</u>	<u>2010</u>	<u>2020</u>	<u>2010-2020</u>
School District	25,328	29,765	1.63%
Centre County	153,990	162,264	0.52%
Pennsylvania	12,702,379	12,794,885	0.07%

Source: U.S. Bureau of the Census, and the Pennsylvania State Data Center-2010 & 2020 General Housing Characteristics: Pennsylvania.

#### TABLE A-2 AGE COMPOSITION

	0-17	18-64	65+
	<b>Years</b>	<b>Years</b>	<b>Years</b>
Centre County	22.7%	59.9%	19.9%
Pennsylvania	20.6%	59.4%	18.7%

Source: U.S. Bureau of the Census, 2020 Census Summary File 1.

#### **Employment**

With the presence of Pennsylvania State University, the main industry in the School District is education, with most of the non-student residents of the School District employed in white collar, professional positions. The median and main income for the State College MSA has consistently been much higher than that of the Commonwealth as a whole.

Most of the manufacturing and industrial activity exists within three industrial groups: Stone, Clay, Glass & Construction; Electrical Machinery, Equipment & Supplies; and Instruments & Related Products. Members of the University faculty have founded several companies engaged in research and development work.

The larger employers located within or near the School District include:

The Pennsylvania State University
Mount Nittany Medical Center
State Government
State College Area School District
Wal-Mart Associates Inc
County of Centre
Glenn O Hawbaker Inc.
Federal Government
Geisinger Clinic
Mount Nittany Medical Center Health Services

Wildelie Mitality Medical Celler Health Services

Source: Center for Workforce Information, Quarterly Census of Employment and Wages – 1st Quarter of 2024.

TABLE A-3
STATE COLLEGE METROPOLITAN STATISTICAL AREA
(Centre County)
NONFARM JOBS

	Ind	ustry Employ	ment_		Net Change	e From:
ESTABLISHMENT DATA	Jul 2024	Jun 2024	May 2024	Jul 2023	Jun 2024	Jul 2023
TOTAL NONFARM	76,900	77,200	83,200	75,000	-300	1,900
TOTAL PRIVATE	48,700	48,500	48,100	47,000	200	1,700
Goods Producing	7,900	7,900	7,700	8,000	0	-100
Manufacturing	4,600	4,600	4,500	4,600	0	0
SERVICE-PROVIDING	69,000	69,300	75,500	67,000	-300	2,000
PRIVATE SERVICE-PROVIDING	40,800	40,600	40,400	39,000	200	1,800
Trade, Transportation, and Utilities	9,300	9,300	9,200	9,100	0	200
Retail trade	7,200	7,200	7,100	7,200	0	0
<b>Professional and Business Services</b>	6,600	6,600	6,500	6,600	0	0
<b>Education and Health Services</b>	10,300	10,200	10,100	9,900	100	400
Leisure and Hospitality	8,000	7,900	7,800	7,000	100	1,000
Government	28,200	28,700	35,100	28,000	-500	200
Federal Government	500	500	500	500	0	0
State Government	23,300	23,500	29,900	23,100	-200	200
Local Government	4,400	4,700	4,700	4,400	-300	0
Data benchmarked to March 2023 ***Data changes of 100 may be due to rounding***						

Source: Pennsylvania State Employment Service.

Table A-4 shows trends in employment and unemployment for Centre County and the Commonwealth. The unemployment rate for the County has been lower than that for the Commonwealth during the period shown.

TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(Centre County)
NOT SEASONALLY ADJUSTED

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024(1)</u>	Compound Average Annual % <u>Rate</u>
Centre County							
Civilian Labor Force (000)	286.5	280.1	286.4	291.1	295.9	305.6	-1.28%
Employment (000)	277.3	262.1	274.3	282.7	289.5	296.1	-1.30%
Unemployment (000)	9.1	18	12	8.4	6.3	9.4	-0.65%
Unemployment Rate	3.20%	6.40%	4.20%	2.90%	2.1	3.1	
Pennsylvania							
Civilian Labor Force (000)	6,500.0	6,561.0	6,483.0	6,406.0	6,518.0	6,657.0	-0.48%
Employment (000)	6,210.0	6,267.0	5,894.0	5,999.0	6,296.0	6,392.0	-0.58%
Unemployment (000)	290.0	294.0	589.0	407.0	223.0	265.0	1.82%
Unemployment Rate	4.5	4.5	9.1	6.3	3.4	4.0	
(1)As of July 2024.							

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

#### Income

The data in Table A-5 shows trends in per capita income for the School District, Centre County and Pennsylvania over the 2010-2020 period. Per capita income in the School District and in the Commonwealth is somewhat lower than per capita income in the County.

TABLE A-5
TRENDS IN PER CAPITA INCOME\*

	<u>2010</u>	<u>2020</u>	Percentage Change 2010-2020
School District	24,739	31,361	2.40%
Centre County	23,744	32,238	3.11%
Pennsylvania	27,049	35,518	2.76%

<sup>\*</sup>Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: Pennsylvania State Data Center and U.S. Census Bureau, 2010-20 American Community Survey.

#### **Commercial Activity**

Table A-6 shows the most retail sales for the MSA and the Commonwealth.

#### **TABLE A-6**

# TOTAL RETAIL SALES (\$000)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
MSA	2,496,000	2,556,282	2,451,939	2,638,803	2,850,744
Pennsylvania	244,709,540	251,185,116	274,685,600	297,770,326	310,912,244

Source: Sales and Marketing Management Magazine.

#### **Education**

The overwhelming influence on the character and structure of the School District and of central Pennsylvania is the existence of Pennsylvania State University. It enrolls more than 80,000 students at 24 campus locations statewide, and offers instruction in more than 160 baccalaureate and 150 graduate programs. The University Park campus, with an enrollment of some 40,000 students, is an administrative and research hub. The campus is located in central Pennsylvania, adjacent to the community of State College Borough.

#### Transportation

The State College Regional Airport is located four miles north of State College. Today, three airlines (Northwest, United, and US Airways) offer regularly scheduled flights to and from three major hub cities (Detroit, Philadelphia and Washington/Dulles). AMTRAK provides passenger rail service through arrivals and departures at Altoona and Lewistown to the south, and freight service is provided by Conrail. Major highways include Interstate 80 and 99, U.S. Routes 22, 220 and 322, and State Routes 26, 45 and 64. Access to Harrisburg and the Pennsylvania Turnpike is provided by the U.S. Route 322. Intercity bus service is provided by greyhound, and regional bus service is provided by Centre Line and Town & Campus through the Centre Area Transportation Authority. Fullington Trailways and Fullington Limousine also serve the region, and local taxi service is provided by Handy Delivery Cab Company.

#### Recreation

Numerous recreational opportunities are found in the area. Some twenty-six intercollegiate varsity sports are played on the campus of The Pennsylvania State University. The Central Pennsylvania Festival of The Arts is held each year in July, which includes sidewalk sales and events. Two bowling alleys serve the area with one located in Bellefonte and one in State College, and fishing is available in more than 37 streams and lakes throughout Centre County. Two state fish hatcheries, at Benner Spring and Pleasant Gap, are open to the public daily. Three public golf courses, including the PSU White Course, the PSU Blue Course and Toftrees Golf Club, are found in the State College area. Excellent opportunities for hunting, ice skating, tennis, swimming and skiing are also available. The Centre Region Parks and Recreation Department maintains and operates some 27 park facilities and two outdoor swimming pools. The Department sponsors a wide variety of programs for all ages throughout the year in sports, fitness and the arts. The Centre Region Senior Citizens center offers a variety of programs and activities for those 55 and over.

#### Utilities

Telephone services for the area are covered by the School District are provided by Verizon. Electricity service is provided by Allegheny Power and Pennsylvania Electric Company. The Bellefonte Water Authority, Spring Township Authority and Walker Township Water Association provide water for the School District. Sewage is processed by Bellefonte Sewage Authority and Spring, Benner & Walker Joint Authority.

#### **Higher Education**

The main campus of The Pennsylvania State University is located in the County and was chartered in 1855 and designated a land grant institution in 1863. Penn State is the only institution of higher education located in Centre County which offers bachelors degrees and higher. Penn State ranks among the top ten research institutions throughout the United States.

Lock Haven University is located approximately twenty-five miles northeast of the School District, and the Central Pennsylvania Institute of Science & Technology located within commuting distance offers a wide variety of programs to both secondary and post-secondary students. South Hills School of Business & Technology is also located in the State College area.

#### Police and Fire Protection and Ambulance Service

There are two main police stations in the Bellefonte area. The Borough of Bellefonte Police Station which employs eight full time police officers and the Spring Township Police Station which employs three full-time police officers. There is also the State Police Barracks located in Milesburg which is only a distance of five miles from the Bellefonte area that provides police protection and assistance when required.

APPENDIX B
Proposed Form of Opinion of Bond Counsel



#### FORM OF OPINION OF BOND COUNSEL

The form of the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and Notes and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Bond Counsel has no duty, and has assumed no obligation, to revise, update or supplement its opinion to address or reflect a change or changes in such circumstances subsequent to the date of delivery of the Bonds and Notes, whether or not it has notice or obtains knowledge of the same, and whether or not this Official Statement shall be recirculated. The approving legal opinion of Bond Counsel represents its considered professional judgment, following a comparison of relevant factual certifications to applicable law. Such opinion is not a guarantee of a particular result, nor is such opinion binding on any administrative or judicial tribunal.

We have served	as Bond Counsel to Bellefonte Area School District (Centre County, Pe	nnsylvanıa)
(the "Local Government	t Unit") and do hereby undertake to advise you in connection with the is	suance, sale
and delivery of its \$	, aggregate principal amount, General Obligation Notes,	Series A of
2024, \$,	aggregate principal amount, General Obligation Notes, Series B o	of 2024 and
\$, aggreg	gate principal amount, General Obligation Bonds, Series C of 2024 (o	collectively,
the "Obligations"), issu	ed in fully registered form, dated and bearing interest from	, 2024,
maturing on various ann	anual dates ending,, and subject to redemption at the c	option of the
Local Government Unit	prior to maturity beginning,	

In that capacity, we have examined the Constitution of the Commonwealth of Pennsylvania; the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the "School Code"); the Local Government Unit Debt Act, 53 Pa.C.S.A. §8001 et seq., as amended (the "Debt Act"); the formal action of the Governing Body of the Local Government Unit authorizing the incurrence of nonelectoral debt evidenced by the Obligations (the "Debt Ordinance"); the corresponding Certificate of Approval of the Department of Community and Economic Development; the Internal Revenue Code of 1986, as amended (the "Tax Code"); the opinion of Beard Legal Group, solicitor for the Local Government Unit, upon which we have relied; and such other proceedings and law as we deemed necessary in order to render this opinion. We have reviewed the Federal Tax Certificate of an authorized officer of the Local Government Unit, along with other closing certificates of the Local Government Unit and other parties to the issuance and sale of the Obligations. Unless separately noted, we have relied upon, but have not independently verified, factual certifications made to us by the Local Government Unit, its officers and agents, and by said other parties, both in such certificates and otherwise during the course of our engagement.

Both principal of and interest on the Obligations are payable at the designated corporate trust office of Computershare Trust Company, N.A., Fort Washington, Pennsylvania, as Paying Agent for the Local Government Unit; Computershare Trust Company, N.A., has additionally been appointed Registrar and Sinking Fund Depository for the Obligations.

These proceedings demonstrate that, in the absence of any meritoriously-based action in a governmental or judicial forum affecting the validity of the Obligations, the same have been delivered upon full payment.

We have not been engaged nor undertaken to review the adequacy of disclosure in the Official Statement nor in any other securities offering material produced in respect of the Obligations and, except as to matters set forth in this opinion and described as such in said Official Statement, we express no opinion or belief with respect thereto.

Based on the foregoing, we are of the opinion on this date as follows:

- 1. The Obligations are valid and binding general obligations of the Local Government Unit.
  - (a) The Obligations are issued for a valid purpose under the School Code.
  - (b) The Obligations, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.
  - (c) The Debt Ordinance authorizing the Obligations was duly and properly enacted and is in full force and effect.
  - (d) The Obligations conform, in all substantial respects, to the form provided in the Debt Ordinance.
- 2. The Obligations are secured by a pledge of the full faith, credit and taxing power of the Local Government Unit. The Local Government Unit has effectively covenanted in the Debt Ordinance to include the amount of debt service on this issue, in each fiscal year for which such sums are due, in its budget for that year; to appropriate such amounts to the payment of such debt service; and to pay or cause to be paid, from time to time as and when due, the principal of the Obligations and the interest thereon on the dates, at the place and in the manner stated in the Obligations.
- 3. Presently included among the general revenues of the Local Government Unit available for the payment of the Obligations are ad valorem real estate taxes, whose levy upon all taxable real property situate within the corporate limits of the Local Government Unit is subject to the limitations of 53 Pa. C.S. §§6926.101 et seq., as amended.
- 4. The Obligations are payable and enforceable according to their own terms, those of the Debt Ordinance and all provisions of the Debt Act; however, any such payment and enforcement could be restrained by a court of proper jurisdiction operating under the authority of bankruptcy, receivership and other similar laws of accommodation and adjustment of creditors' rights, as then applicable.
- 5. The Obligations, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments.
- 6. The Obligations are an authorized investment, under the Probate, Estates and Fiduciaries Code, as amended, for fiduciaries and personal representatives (as such terms are therein defined) within the Commonwealth of Pennsylvania.
- 7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Obligations (including for this purpose, in the case of Obligations sold at an original issue discount, the difference between the initial offering price and accrued value) is excludable from gross income for Federal income tax purposes, pursuant to the Tax Code. Furthermore, interest on the Obligations will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Tax Code, in computing the alternative minimum tax for individuals. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Tax Code. We express no opinion as to any other Federal income tax consequence arising from ownership of the Obligations.

8. The Obligations, and interest income therefrom, are free from taxation for purposes of personal, and corporate net, income taxes within the Commonwealth of Pennsylvania.

This opinion is rendered as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter be brought to our attention, or any changes in law that may hereafter arise.



APPENDIX C
Continuing Disclosure Undertaking



# FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by Bellefonte Area School District (Allegheny County, Pennsylvania) (the "Issuer"), in connection with the issuance of its \$, aggregate principal amount, General Obligation Notes, Series A of 2024, \$, aggregate principal amount, General Obligation Notes, Series B of 2024 and \$, aggregate principal amount, General Obligation Bonds, Series C of 2024 (collectively, the "Obligations"). The Obligations are being issued pursuant to a resolution adopted by the Board of School Directors of the Issuer (the "Governing Body") on September 17, 2024 (the "Resolution"). The Issuer covenants and agrees as follows:
Section 1. <i>Purpose of the Disclosure Undertaking</i> . This Disclosure Undertaking is being executed and delivered by the Issuer in order to comply with, and constitutes the written undertaking for the benefit of the holders of the Obligations required by, Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule").
Section 2. <i>Definitions</i> . In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined herein, the following capitalized terms shall have the following meanings:
"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.
"Disclosure Representative" means the Director of Fiscal Affairs of the Issuer or his or her designee, or such other officer or employee of the Issuer as the Governing Body may designate from time to time.
"Dissemination Agent" means any person or entity designated by the Issuer.
"EMMA" means the continuing disclosure service of the MSRB's Electronic Municipal Market Access system, as established by SEC Release No. 34-58256, as amended, and approved by SEC Release No. 34-59061.
"Financial Obligation" means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.
"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Undertaking with respect to the Obligations.
"MSRB" means the Municipal Securities Rulemaking Board.
"Official Statement" means the Preliminary Official Statement relating to the Obligations, and the Official Statement relating to the Obligations, dated, 2024.
"Operating Data" updates to certain tabular information contained in the Official Statement

including: (a) Bellefonte Area School District Tax Rates; (b) Bellefonte Area School District Real Property

Assessment Data; (c) Bellefonte Area School District Real Property Tax Collection Data; and (d) Ten Largest Real Property Taxpayers.

"Purchaser" means Raymond James & Associates, Inc., in its role as original purchaser and underwriter of the Obligations.

"Tax-exempt" means that interest on the Obligations is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

Section 3. *Provision of Annual Reports*. The Issuer shall provide the Annual Report not later than March 31 following the end of each fiscal year (the "Report Date"), beginning with the Report Date after the fiscal year ending June 30, 2024 to EMMA, which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking, provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report. The Annual Report must be submitted in the manner prescribed by the Municipal Securities Rulemaking Board, currently by uploading a machine word-searchable pdf file to the EMMA Dataport web site. If the Issuer is unable to provide the Annual Report to the MSRB by the Report Date, the Issuer shall file with the MSRB no later than the Report Date notice of such failure to file.

Section 4. *Content of Annual Reports*. The Issuer's Annual Report shall contain or incorporate by reference the following financial information and operating information for the Issuer:

- (a) financial statements for the Issuer for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units<sup>1</sup>;
- (b) a summary of the budget for the current fiscal year (the fiscal year following the fiscal year of the financial statements being provided); and
  - (c) the Operating Data.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board or EMMA. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. **Reporting of Significant Events**. (a) Pursuant to the provisions of this Section 5, the Issuer shall file, in a timely manner not in excess of ten (10) business days after the occurrence of such event, with the MSRB, notice of the occurrence of any of the following events with respect to the Obligations:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

<sup>&</sup>lt;sup>1</sup> If not submitted as part of the annual financial information, then when and if available, audited financial statements for the Issuer.

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB) or other similar events affecting the tax-exempt status of the security;
- (vii) modifications to the rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition of the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) the appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) the incurrence of a Financial Obligation of the Issuer, if material, or the agreement, in connection with a Financial Obligation, to new, or additional, covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.
- (b) The Issuer shall file in a timely manner with the MSRB and accompanied by such identifying information as prescribed by the MSRB, notice of a failure to provide the required annual financial information specified above, on or before the date specified above. Notwithstanding the foregoing: notice of Listed Events described in subsection (a)(viii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.
- (c) For the purposes of the Listed Event identified in clause (a)(xii) of this Section, the event is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially

all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Section 6. *Termination of Reporting Obligation*. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. **Dissemination Agent**. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the holders of the Obligations or any other party. If no replacement Dissemination Agent is appointed, the Issuer shall undertake all obligations thereof hereunder.

Section 8. *Amendment; Waiver*. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Issuer, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. *Additional Information*. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. *Default*. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any holder of Obligations may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed a default under the Resolution or the Obligations and the rights and remedies provided by the Resolution and the Obligations upon the occurrence of a default shall not apply to any such failure. The sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 11. *Immunities of Individuals*. No recourse shall be had for any claim based hereon against any member, director, officer or employee, past, present or future, of the Issuer or the officers of the Issuer or of any successor body, as such.

Section 12. *Beneficiaries*. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Purchaser, and holders from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Notices.

Any notices or communications to or with the Issuer may be given as follows:

Bellefonte Area School District 318 North Allegheny Street Bellefonte, PA 16823 Attention: Director of Fiscal Affairs

IN WITNESS WHEREOF, the Issuer Continuing Disclosure Undertaking as of this	-	
	BELLEFONTE AREA	SCHOOL DISTRICT
	By: President, Board of S	School Directors



APPENDIX D Audit Report – Fiscal Year Ended June 30, 2023





Financial Statements and Supplementary Information

June 30, 2023



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#### **Independent Auditors' Report**

To the Board of Directors of Bellefonte Area School District

#### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Bellefonte Area School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 District's basic financial statements. The schedule of revenues, expenditures and change in fund balance - General Fund on pages 60-61, the nonmajor governmental funds combining statements on pages 62 and 63, and the schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* on page 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 December 18, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

State College, Pennsylvania

Baker Tilly US, LLP

December 18, 2023

Management's Discussion and Analysis (Unaudited) June 30, 2023

This Management's Discussion and Analysis (MD&A) is intended to provide a narrative overview and analysis of the financial activities of Bellefonte Area School District (the District) for the year ended June 30, 2023. The District's financial performance is discussed and analyzed within the context of the financial statements and the disclosures that follow. This discussion focuses on the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

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

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

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

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

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

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

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

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Governmental fund financial statements are prepared using the modified accrual basis of accounting (governmental funds) or the accrual basis of accounting (proprietary funds). The District uses several different types of funds, but the two most significant types are the governmental and proprietary fund types.

#### **Governmental Funds**

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

Management's Discussion and Analysis (Unaudited) June 30, 2023

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

The District maintains three governmental funds, its General Fund, Capital Projects Fund and School Sponsored Activity Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balance for the District's only major fund, which is the General Fund.

#### **Proprietary Fund**

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

#### **Notes to Financial Statements**

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

#### **Government-Wide Financial Analysis**

	Condensed Statements of Net Deficit June 30:									
	Government	tal Activities	Business-T	ype Activity	Total					
	2023	2022	2023	2022	2023	2022				
Assets and deferred outflow of resources:										
Current assets	\$ 22,121,604	\$ 20,817,704	\$ 549,458	\$ 335,981	\$ 22,671,062	\$ 21,153,685				
Capital assets	52,723,635	52,801,867	11,667	21,252	52,735,302	52,823,119				
Deferred outflows of resources	9,889,806	10,686,065	257,483	279,795	10,147,289	10,965,860				
Total	\$ 84,735,045	\$ 84,305,636	\$ 818,608	\$ 637,028	\$ 85,553,653	\$ 84,942,664				
Liabilities, deferred inflows of resources and net position (deficit): Current liabilities	\$ 7,481,337	\$ 7,133,286	\$ 4,969	\$ 61,793	\$ 7,486,306	\$ 7,195,079				
Long-term liabilities: Due within one year Due after one year	3,454,412 80,669,271	3,440,378 81,553,462	- 1,686,941	- 1,647,229	3,454,412 82,356,212	3,440,378 83,200,691				
Total liabilities	91,605,020	92,127,126	1,691,910	1,709,022	93,296,930	93,836,148				
Deferred inflows of resources	4,092,091	10,516,086	150,017	275,652	4,242,108	10,791,738				
Net position (deficit):										
Net investment in capital assets	35,300,382	31,868,069	11,667	21,252	35,312,049	31,889,321				
Restricted	341,495	309,204	-	-	341,495	309,204				
Unrestricted (deficit)	(46,603,943)	(50,514,849)	(1,034,986)	(1,368,898)	(47,638,929)	(51,883,747)				
Total net position (deficit)	(10,962,066)	(18,337,576)	(1,023,319)	(1,347,646)	(11,985,385)	(19,685,222)				
Total	\$ 84,735,045	\$ 84,305,636	\$ 818,608	\$ 637,028	\$ 85,553,653	\$ 84,942,664				

Management's Discussion and Analysis (Unaudited) June 30, 2023

#### **Government-Wide Financial Analysis**

**Condensed Statements of Activities June 30:** 

	Governmental Activities		Business-T	ype Activity	Total		
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program revenues:							
Charges for services	\$ 56,233	\$ 44,480	\$ 592,535	\$ 156,246	\$ 648,768	\$ 200,726	
Operating grants and contributions	13,076,883	12,203,909	1,172,211	1,833,009	14,249,094	14,036,918	
General revenues:	, ,	, ,	, ,	, ,	, ,	, ,	
Taxes levied for general purposes,							
net	35,554,373	34,429,992	-	-	35,554,373	34,429,992	
Grants, subsidies and contributions							
not restricted	9,347,231	8,845,206	_	_	9,347,231	8,845,206	
Other	585,359	(89,836)	211,504	200,450	796,863	110,614	
				·			
Total revenues	58,620,079	55,433,751	1,976,250	2,189,705	60,596,329	57,623,456	
Program expenses:							
Instruction	33,422,048	33,217,925	-	-	33,422,048	33,217,925	
Instruction student support	3,307,701	2,890,190	-	-	3,307,701	2,890,190	
Administration and financial							
support services	5,045,978	5,260,807	-	-	5,045,978	5,260,807	
Operation and maintenance of							
plant services	5,039,022	4,510,501	-	-	5,039,022	4,510,501	
Pupil transportation	2,464,290	2,415,206	-	-	2,464,290	2,415,206	
Student activities	1,463,476	1,162,502	-	-	1,463,476	1,162,502	
Community services	1,838	2,075	-	-	1,838	2,075	
Interest on long-term debt	500,216	507,744	-	-	500,216	507,744	
Food service			1,651,923	1,495,507	1,651,923	1,495,507	
Total program expenses	51,244,569	49,966,950	1,651,923	1,495,507	52,896,492	51,462,457	
Change in net position	7,375,510	5,466,801	324,327	694,198	7,699,837	6,160,999	
Net deficit, beginning	(18,337,576)	(23,804,377)	(1,347,646)	(2,041,844)	(19,685,222)	(25,846,221)	
Net deficit, ending	\$ (10,962,066)	\$ (18,337,576)	\$ (1,023,319)	\$ (1,347,646)	\$ (11,985,385)	\$ (19,685,222)	

Total net position of the District increased \$7,699,837 in 2023. Net position of governmental activities increased by \$7,375,510, and net position of the business-type activity increased \$324,327.

The District had \$51,244,569 in expenses related to governmental activities in 2023; only \$13,133,116 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state subsidies) of \$45,486,963 also provided for these programs. The operation and maintenance of plant services increased due general high school and elementary school repairs and updates. The \$7,375,510 increase in governmental activity net position represents the excess of revenues over expenses.

In the District's business-type activity, net position increased by \$324,327 as a result of the net income of the food service operation.

Management's Discussion and Analysis (Unaudited) June 30, 2023

#### **Financial Analysis of the Governmental Funds**

#### **General Fund**

#### Revenues

Revenues for the 2022-2023 fiscal year were \$58,440,644 compared to \$55,286,356 for the previous fiscal year. The revenues are derived from three main sources as follows:

		2023 Amount		2022 Amount		Increase Decrease)	% Change		
Local sources State sources	\$	36,934,049	\$	35,047,181	\$	1,886,868	5.38 6.32	%	
Federal sources		19,338,395 2,168,200		18,189,390 2,049,785		1,149,005 118,415	5.78		
Total	\$	58,440,644	\$	55,286,356	\$	3,154,288	5.71	%	

Local revenues are derived mostly from levying taxes such as the real estate tax, earned income tax and real estate transfer tax. Local revenues increased \$1,886,868 primarily due to an increase in the real estate taxes collections, earned income tax collections and interest income earned.

State revenues are derived mostly from state subsidies for basic education, special education and transportation. State revenues also include a 50% reimbursement from the state for social security and retirement costs. State revenues in the above mentioned areas increased \$1,149,005. This was due to an increase in basic education subsidy, special education subsidy and supplemental reimbursement for property taxes.

#### **Expenditures and Other Financing Uses**

Expenditures and other financing use for the 2022-2023 fiscal year were \$57,567,280 compared to 2021-2022 fiscal year were \$60,471,088 or 4.80% decrease. The following table shows the expenditures by object area:

	202	2023 Amount		2022 Amount		Increase Decrease)	% Change	
Salaries	-	21,731,547	\$	20,640,433	\$	1,091,114	5.29	
Fringe benefits	,	14,471,070		13,993,325		477,745	3.41	
Purchased professional								
services		2,588,145		2,926,033		(337,888)	(11.55	)
Purchased property services		2,702,912		1,871,286		831,626	44.44	
Other purchased services		8,766,337		8,188,754		577,583	7.05	
Supplies		1,785,180		1,606,437		178,743	11.13	
Equipment		596,764		897,756		(300,992)	(33.53	)
Other objects		1,039,645		963,876		75,769	7.86	,
Other financing uses		3,885,680		9,383,188		(5,497,508)	(58.59	)
Total	\$	57,567,280	\$	60,471,088	\$	(2,903,808)	(4.80	) %

Salaries increased due to normal contractual obligations for employees. Benefits increased due to the salary increases and the resulting increased social security and retirement benefits.

Management's Discussion and Analysis (Unaudited) June 30, 2023

Professional services decreased due to the district discontinuing its use of an outside service for substitutes.

Purchased property services increased due to the purchase of new HVAC units for the High School.

Other purchased services increased due to an increase in charter school tuition and Vocational education tuition.

Supplies increased due to an increase in normal school supplies costs.

Equipment costs decreased as the district did not have any large equipment purchases.

Other objects increased due to an increase in interest payments for outstanding bond issues.

Other uses of funds decreased due to a bond refunding and the payoff of \$5,890,000 in the previous year that did not occur in 2023.

#### **General Fund Budgetary Highlights**

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

The General Fund's final approved budget for 2023 included \$55,152,706 of revenues and \$56,868,265 of expenditures, as well as \$1,085,000 of transfers out.

The actual revenues for 2023 were \$3,287,938 greater than the final budget. This was due to additional earned income taxes collected as well as an increase in interim real estate tax revenue. Interest income increased as well due to higher than anticipated interest rates. Real estate tax collection rate increased over the projected rates.

The final actual expenditures and net other financing uses were \$385,985 less than the budget due to no unforeseen expenditures being needed and proper controls being in place.

#### **Capital Assets**

The District's investment in capital assets for its governmental and business-type activity as of June 30, 2023 is summarized below.

	G	overnmental Activities	iness-Type Activity	Totals		
Land, buildings and improvements Construction in progress Equipment and other capital assets	\$	81,642,405 225,399 6,433,898	\$ - - 341,024	\$	81,642,405 225,399 6,774,922	
Total		88,301,702	341,024		88,642,726	
Accumulated depreciation		(35,578,067)	 (329,357)		(35,907,424)	
Net	\$	52,723,635	\$ 11,667	\$	52,735,302	

Management's Discussion and Analysis (Unaudited) June 30, 2023

## **Long-Term Debt**

At June 30, 2023, the District's long-term debt outstanding was \$17,423,253 and \$3,454,412 of this debt is scheduled for payment in 2024.

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

#### Act 1 of 2006

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

One significant change contained in the legislation is the expansion of property tax rate limits to all school districts in the state. Beginning in 2007-2008 fiscal year, school districts are required to hold tax rate increases to an annual index based on the average increase in the statewide average weekly wage and the employment cost index for schools. The index is adjusted upward for school districts whose aid ratios are above .4, a group that represents 80% of all districts in the state.

School districts may seek a variety of exemptions to the limits that need approval either from the Court of Common Pleas or the Pennsylvania Department of Education. In addition to debt incurred prior to the effective date of the Act (i.e., grandfathered debt), additional property tax revenue may be sought for emergency-related costs or for costs related to compliance with Federal or state administrative orders. Exemptions may be sought from the Department of Education if special education costs increase by more than the index. For academic-related school construction, districts can seek an exemption of up to 60% of the construction cost average on a square foot basis, although the district must commit all of its undesignated reserves to the project for this exemption to be granted. Any debt service for electoral debt will also be exempted. School districts that do not seek an exemption will be required to hold a referendum in order to increase the property tax millage rate beyond the index.

#### **Health Insurance**

The District is self-insured through the Central Pennsylvania School Employee Benefit Trust utilizing a Preferred Provider Plan (PPO). The District employees are the only members of this trust for claim purposes.

The PPO plan offers two levels of deductible (\$500/\$1,500 or \$1,000/\$3,000) as compared to the traditional plan deductibles of \$100/\$300. Savings are anticipated as realized in the current year but levels will vary due to the amount and type of claims paid. The Trust will continue to monitor the plan on an on-going basis.

Management's Discussion and Analysis (Unaudited) June 30, 2023

#### **Tax Revenues in the School District**

The largest real estate taxpayers in the School District and the 2022-23 assessed valuation of their real estate are as follows:

Λ	SSES	end	\/	al	
-	226	Sec	v	71	

	Rank		Total
1.	Restek Corporation	\$	3,261,420
2.	Graystone Court Bellefonte, LLC		2,709,700
3.	Weis Markets, Inc.		2,650,780
4.	Healthsouth PA Real Estate LLC		2,580,945
5.	Land of Paradise LLC		2,349,220
6.	Allegheny Lutheran Social		2,229,660
7.	Bellefonte Lime Company		2,183,995
8.	SAC Corporation		1,981,330
9.	Silotek Corporation		1,648,896
10.	Penn State Federal Credit Union		1,334,060
		\$_	22,930,006

## **School Facilities and Financial Summary**

The school plant presently operated by the School District consists of one Senior High School (grades 9-12), one Junior High School (grades 6-8) and four Elementary Schools (grades K-5).

#### **Bellefonte Area School District Enrollment Trends**

#### **Projected Enrollments**

School Year	Elementary	Secondary	Total
2024-25	1,143	1,435	2,578
2025-26	1,146	1,383	2,529
2026-27	1,144	1,376	2,520

Management's Discussion and Analysis (Unaudited) June 30, 2023

## **Actual Enrollments**

School Year	Elementary	Secondary	Total
2014-15	1,229	1,437	2,666
2015-16	1,202	1,476	2,678
2016-17	1,151	1,489	2,640
2017-18	1,198	1,491	2,689
2018-19	1,128	1,498	2,626
2019-20	1,167	1,509	2,676
2020-21	1,155	1,498	2,653
2021-22	1,151	1,485	2,636
2022-23	1,159	1,451	2,610
2023-24	1,124	1,467	2,591

## **Request for Information**

Questions concerning any of the information in this report or requests for additional information should be addressed to the Director of Fiscal Affairs at the administrative offices at 318 North Allegheny Street, Bellefonte, PA 16823.

Statement of Net Deficit June 30, 2023

	Governmental Activities	Business-Type Activity	Total	
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 18,846,333	\$ 533,084	\$ 19,379,417	
Restricted cash and cash equivalents	167,541	-	167,541	
Taxes receivable, net	967,652	-	967,652	
Internal balances	5,848	(5,848)	-	
Due from other governments	1,457,433	-	1,457,433	
Other receivables	650,067	- 	650,067	
Prepaid expense	26,730	1,810	28,540	
Inventories		20,412	20,412	
Total current assets	22,121,604	549,458	22,671,062	
Noncurrent Assets				
Land, buildings and improvements	81,642,405	-	81,642,405	
Equipment and other capital assets	6,433,898	341,024	6,774,922	
Construction in progress	225,399	-	225,399	
Accumulated depreciation	(35,578,067)	(329,357)	(35,907,424)	
Total noncurrent assets	52,723,635	11,667	52,735,302	
Total assets	74,845,239	561,125	75,406,364	
Deferred Outflows of Resources				
Other postemployment benefits	804,298	35,975	840,273	
Pension	9,085,508	221,508	9,307,016	
Total deferred outflows of resources	9,889,806	257,483	10,147,289	
Total assets and deferred outflows of resources	\$ 84,735,045	\$ 818,608	\$ 85,553,653	
Liabilities, Deferred Inflows of Resources and Net Deficit				
·				
Current Liabilities	0.400.700	•	Φ 0.400.700	
Accounts payable	\$ 2,132,792	\$ -	\$ 2,132,792	
Current portion of bonds and notes payable	3,454,412	-	3,454,412	
Accrued salaries and benefits Payroll deductions and withholdings	3,384,794 1,912,924	-	3,384,794 1,912,924	
Unearned revenue	26,077	4,969	31,046	
Accrued interest	24,750	4,909	24,750	
Accided interest	24,730		24,730	
Total current liabilities	10,935,749	4,969	10,940,718	
Noncurrent Liabilities				
General obligation bonds and notes payable	13,968,841	-	13,968,841	
Net other postemployment benefits liability	4,400,541	201,338	4,601,879	
Compensated absences	1,365,492	-	1,365,492	
Net pension liability	60,934,397	1,485,603	62,420,000	
Total noncurrent liabilities	80,669,271	1,686,941	82,356,212	
Total liabilities	91,605,020	1,691,910	93,296,930	
Deferred Inflows of Resources				
Other postemployment benefits	1,674,044	91,064	1,765,108	
Pension	2,418,047	58,953	2,477,000	
Total deferred inflows of resources	4,092,091	150,017	4,242,108	
Net Position (Deficit)				
Net investment in capital assets	35,300,382	11,667	35,312,049	
Restricted	341,495	,,,,,,	341,495	
Unrestricted deficit	(46,603,943)	(1,034,986)	(47,638,929)	
Total net deficit	(10,962,066)	(1,023,319)	(11,985,385)	
	<u></u> _			
Total liabilities, deferred inflows of resources and net deficit	\$ 84,735,045	\$ 818,608	\$ 85,553,653	

Statement of Activities Year Ended June 30, 2023

		Progran	n Revenues	Net (Expens and Changes		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities						
Instruction	\$ (33,422,048)	\$ -	\$ 10,307,014	\$ (23,115,034)		\$ (23,115,034)
Instructional student support	(3,307,701)	-	48,350	(3,259,351)		(3,259,351)
Administration and financial support services	(5,045,978)	-	20,448	(5,025,530)		(5,025,530)
Operation and maintenance of plant services	(5,039,022)	-	909,714	(4,129,308)		(4,129,308)
Pupil transportation	(2,464,290)	-	741,048	(1,723,242)		(1,723,242)
Student activities	(1,463,476)	56,233	349,751	(1,057,492)		(1,057,492)
Community services	(1,838)	-	-	(1,838)		(1,838)
Interest on long-term debt	(500,216)		700,558	200,342		200,342
Total governmental activities	(51,244,569)	56,233	13,076,883	(38,111,453)		(38,111,453)
Business-Type Activity						
Food service	(1,651,923)	592,535	1,172,211		\$ 112,823	112,823
Total	\$ (52,896,492)	\$ 648,768	\$ 14,249,094			(37,998,630)
	General Revenues					
		evied for general pur	poses, net	27,971,580	-	27,971,580
	Other taxes levie	=		7,582,793	-	7,582,793
	·	and contributions n	ot restricted	9,347,231	-	9,347,231
	Investment earnir	•		706,142	11,504	717,646
	Transfers (out) in			(200,000)	200,000	-
	Miscellaneous inc	come		79,217		79,217
	Total gen	eral revenues		45,486,963	211,504	45,698,467
	Change	in net position		7,375,510	324,327	7,699,837
	Net Deficit, Begini	ning		(18,337,576)	(1,347,646)	(19,685,222)
	Net Deficit, Ending	9		\$ (10,962,066)	\$ (1,023,319)	\$ (11,985,385)

Balance Sheet - Governmental Funds June 30, 2023

	 General	Nonr	major Funds		Total
Assets					
Cash and cash equivalents	\$ 18,525,042	\$	321,291	\$	18,846,333
Restricted cash and cash equivalents	-		167,541		167,541
Taxes receivable, net	967,652		-		967,652
Due from other funds	5,848		-		5,848
Due from other governments	1,457,433		-		1,457,433
Other receivables	650,067		-		650,067
Prepaid expense	 26,730				26,730
Total assets	\$ 21,632,772	\$	488,832	\$	22,121,604
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities					
Accounts payable	\$ 1,985,455	\$	147,337	\$	2,132,792
Accrued salaries and benefits	3,384,794		-		3,384,794
Payroll deductions and withholdings	1,912,924		-		1,912,924
Unearned revenue	 26,077				26,077
Total liabilities	 7,309,250		147,337		7,456,587
Deferred Inflows of Resources					
Unearned revenues, taxes	 403,955				403,955
Fund Balance					
Nonspendable	26,730				26,730
Restricted	20,730		341,495		341,495
Committed	3,475,662		341,433		3,475,662
Unassigned	10,417,175		_		10,417,175
Chassighta	 10,117,170				10,117,170
Total fund balance	 13,919,567		341,495	-	14,261,062
Total liabilities, deferred inflows of resources					
and fund balance	\$ 21,632,772	\$	488,832	\$	22,121,604

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Deficit June 30, 2023

Total Fund Balance, Governmental Funds	5	\$ 14,261,062
Amounts reported for governmental activities in the statement of net deficit are different because:		
Capital assets used in governmental activities are long-term financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$88,301,702 and the accumulated depreciation is \$35,578,067.		52,723,635
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		403,955
Deferred outflows related to net pension liability are not reported in the governmental funds; however, are reported in the statement of net deficit.		9,085,508
Deferred inflows related to net pension liability are not reported in the governmental funds; however, are reported in the statement of net deficit.		(2,418,047)
Deferred outflows related to net OPEB liability are not reported in the governmental funds; however, are reported in the statement of net deficit.		804,298
Deferred inflows related to net OPEB liability are not reported in the governmental funds; however, are reported in the statement of net deficit.		(1,674,044)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.  Long-term liabilities at year end consist of:  Bonds and notes payable, net  Accrued interest on long-term debt  Net OPEB liability  Net pension liability	(17,423,253) (24,750) (4,400,541) (60,934,397)	

(84,148,433)

**Total Net Deficit, Governmental Activities** 

Compensated absences

\$ (10,962,066)

(1,365,492)

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds Year Ended June 30, 2023

	General	Nonmajor Funds	Total
Revenues			
Local sources	\$ 36,934,	049 \$ 350,242	\$ 37,284,291
State sources	19,338,	395 -	19,338,395
Federal sources	2,168,	200 -	2,168,200
Total revenues	58,440,	644 350,242	58,790,886
Expenditures			
Instruction	33,992,	617 -	33,992,617
Support services	18,042,	451 -	18,042,451
Noninstructional services	1,129,	517 342,552	1,472,069
Facilities acquisition, construction and			
improvement services		- 225,399	225,399
Debt service	3,952,	695 -	3,952,695
Total expenditures	57,117,	280 567,951	57,685,231
Excess of revenues over (under) expenditures			
before other financing uses	1,323,	364 (217,709)	1,105,655
Other Financing Sources (Uses)			
Transfers out	(450,	.000) -	(450,000)
Transfers in		- 250,000	250,000
Total other financing uses	(450,	000) 250,000	(200,000)
Changes in fund balances	873,	364 32,291	905,655
Fund Balance, Beginning	13,046,	203 309,204	13,355,407
Fund Balance, Ending	\$ 13,919,	567 \$ 341,495	\$ 14,261,062

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2023

Total Change in Fund Balance, Governmental Funds		\$ 905,655
Amounts reported for governmental activities in the statement of net deficit are different because:		
Capital outlays are reported in governmental funds as expenditures.  However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.  Depreciation expense  Capital outlays	(1,976,473) 1,898,241	(78,232)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unearned tax revenues increased by this amount this year.		29,194
The issuance of long term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. This transaction; however, does not have an effect on net position. Also, governmental funds report the effect of premiums, discounts and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.  Reconciling items related to long-term debt activity for the year ended June 30, 2023 are as follows:  Scheduled principal payments on long-term debt Scheduled principal payments on financed purchases	3,381,279 58,067	3,439,346
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include amortization of bond premiums, and deferred interest from advanced refunding bonds.  The net additional interest accrued in the statement of activities over	38,007	3,438,340
the amount due is shown here.  Net OPEB liability is considered long-term in nature, and is not reported as a liability within the funds. Such liability is, however, reported within the statement of net deficit, and changes in the liability is reflected within the statement of		92,201
net deficit. This represents the change in OPEB liability and the deferred outflows and inflows related to the OPEB.		103,870
Net pension liability is considered long-term in nature, and is not reported as a liability within the funds. Such liability is, however, reported within the statement of net deficit, and changes in the liability is reflected within the statement of net deficit. This represents the change in pension liability and the deferred outflows and inflows related to the pension.		3,098,012
In the statement of activities, certain operating expenses, compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the		
amount earned versus the amount used.		 (214,536)
Change in Net Position (Deficit) of Governmental Activities		\$ 7,375,510

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund Year Ended June 30, 2023

		Original	<b>-</b> :	nal Budgat		Actual	F	Vith Final Budget avorable
		Original		nal Budget	-	Actual	(01	rfavorable)
Revenues								
Local sources	\$	34,372,120	\$	34,416,724	\$	36,934,049	\$	2,517,325
State sources		18,385,010		18,430,510		19,338,395		907,885
Federal sources		1,762,870		2,305,472		2,168,200		(137,272)
Total revenues		54,520,000		55,152,706		58,440,644		3,287,938
Expenditures								
Instruction:								
Regular programs		21,555,720		21,533,929		21,508,260		25,669
Special programs		9,128,236		9,057,305		9,029,261		28,044
Vocational education programs		3,274,096		3,295,139		3,263,959		31,180
Other instructional programs		212,738		187,400		163,231		24,169
Nonpublic school programs	_			29,368	_	27,906		1,462
Total instruction		34,170,790		34,103,141		33,992,617		110,524
Support services:								
Pupil personnel		1,789,893		1,784,617		1,722,145		62,472
Instructional staff		1,281,616		1,326,169		1,260,453		65,716
Administration		3,486,665		3,567,282		3,490,383		76,899
Pupil health		389,024		516,824		489,907		26,917
Business		605,392		589,770		534,410		55,360
Operation and maintenance of plant services		6,316,913		6,499,465		6,377,017		122,448
Student transportation services		2,415,720		2,566,825		2,467,519		99,306
Central		1,544,646		1,716,446		1,700,617		15,829
Total support services		17,829,869		18,567,398		18,042,451		524,947
Noninstructional services:								
Student activities		218,730		234,915		1,127,679		(892,764)
Community services		500		2,500		1,838		662
Total noninstructional services		219,230		237,415		1,129,517		(892,102)
Debt service		3,860,111		2 060 244		3 053 605		7.646
Dept service		3,000,111		3,960,311		3,952,695		7,616
Total expenditures		56,080,000		56,868,265		57,117,280		(249,015)
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Uses		(1,560,000)		(1,715,559)		1,323,364		3,038,923
Other Financing Sources (Uses) Transfers		(1,085,000)		(1,085,000)		(450,000)		635,000
Changes in fund balance	\$	(2,645,000)	\$	(2,800,559)		873,364	\$	3,673,923
Fund Balance, Beginning						13,046,203		
Fund Balance, Ending					\$	13,919,567		
· ··/ · · •					Ť	-,,		

Variance

Statement of Net Deficit - Proprietary Fund - Food Service June 30, 2023

## **Assets and Deferred Outflows of Resources**

Current Assets	
Cash and cash equivalents	\$ 533,084
Other receivables	1,810
Inventories	20,412
Total current assets	555,306
Noncurrent Assets	
Machinery and equipment	341,024
Accumulated depreciation	(329,357
Total noncurrent assets	11,667
Total assets	566,973
Deferred Outflows of Resources	
Other postemployment benefits	35,975
Pension	221,508
Total deferred outflows of resources	257,483
Total assets and deferred outflows of resources	\$ 824,456
Liabilities, Deferred Inflows of Resources and Net Deficit	
Current Liabilities	
Due to other funds	\$ 5,848
Unearned revenue	4,969
Total current liabilities	10,817
Noncurrent Liabilities	224 222
Net OPEB liability	201,338
Net pension liability	1,485,603
Total noncurrent liabilities	1,686,941
Total liabilities	1,697,758
Deferred Inflows of Resources	
Other postemployment benefits	91,064
Pension	58,953
Total deferred inflows of resources	150,017
Net Deficit	
Net investment in capital assets	11,667
Unrestricted deficit	(1,034,986
Total net deficit	(1,023,319
Total liabilities, deferred inflows of resources and net deficit	\$ 824,456

Statement of Revenues, Expenses and Change in Net Deficit - Proprietary Fund - Food Service Year Ended June 30, 2023

Operating Revenues	
Food service revenue	\$ 592,535
Transfers in	200,000
Total operating revenues	792,535
Operating Expenses	
Salaries and employee benefits	858,865
Food, milk and supplies	776,160
Depreciation	9,585
Other purchased services	7,313
Total operating expenses	1,651,923
Operating loss	(859,388)
Nonoperating Revenues	
Federal sources	911,345
State sources	260,866
Earnings on investments	11,504
Total nonoperating revenues	1,183,715
Change in net deficit	324,327
Net Deficit, Beginning	(1,347,646)
Net Deficit, Ending	\$ (1,023,319)

Statement of Cash Flows - Proprietary Fund - Food Service Year Ended June 30, 2023

Cash Flows From Operating Activities	
Cash received from customers	\$ 592,734
Transfer in	200,000
Cash paid to employees and vendors	 (1,603,135)
Net cash used in operating activities	 (810,401)
Cash Flows From Noncapital Financing Activities	
State sources	262,258
Federal sources	 791,287
Net cash provided by noncapital financing activities	 1,053,545
Cash Flows Provided by Investing Activities	
Earnings on investments	 11,504
Increase in cash and cash equivalents	254,648
Cash and Cash Equivalents, Beginning	 278,436
Cash and Cash Equivalents, Ending	\$ 533,084
Supplemental Disclosure of Noncash Transactions	
USDA donated commodities	\$ 111,951
Reconciliation of Operating Loss to Net Cash Used in	
Operating Activities	
Operating loss	\$ (859,388)
Adjustments to reconcile operating loss to net cash	
used in operating activities:	
Depreciation	9,585
Pension changes	(172,914)
OPEB changes	109,305
USDA donated commodities used	111,951
Changes in assets and liabilities resulting in the	
provision (use) of cash:	4 5 4 7
Due from (to) other funds Inventories	4,547
	(10,726)
Accounts receivable Accounts payable	199 (2,960)
Accounts payable	 (2,900)
Net cash used in operating activities	\$ (810,401)

Statement of Fiduciary Net Position - Other Employee Benefit Trust Fund June 30, 2023

	Em	Other ployee Benefit Trust
Assets Cash and cash equivalents	\$	7,248,752
Liabilities Incurred but not reported claims	\$	497,582
Net Position Restricted		6,751,170
Total liabilities and net position	\$	7,248,752

Statement of Changes in Fiduciary Net Position - Other Employee Benefit Trust Fund Year Ended June 30, 2023

	Other Employee Benefit Trust
Additions	
Contributions/premiums	\$ 5,740,359
Contributions/premiums, Flex Plan	99,280
Stop-loss reimbursements	305,548
Rebates/other	1,072,142
Interest	203,002
Total additions	7,420,331
Deductions	
Benefits paid:	
Medical claims	5,773,513
Dental claims	311,609
Vision claims	64,997
Prescription claims	1,686,510
Flex Plan payments	113,698
Administrative expenses	115,006
Miscellaneous expenses	14,322
Total deductions	8,079,655
Change in net position	(659,324)
Net Position, Beginning	7,410,494
Net Position, Ending	\$ 6,751,170

Notes to Financial Statements June 30, 2023

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

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

#### **Nature of Operations**

The District is comprised of the Townships of Benner, Marion, Spring and Walker and the Borough of Bellefonte, Pennsylvania. The District provides basic elementary and secondary educational services.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the Districts taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

## **Reporting Entity**

This report includes all funds of the District. The reporting entity for the District consists of the primary government and its fiduciary component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if: (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization; (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

As required by GAAP and based on the criteria stated in the above paragraph, the financial statements of the reporting entity include those of the District as primary government, and its fiduciary component unit.

#### **Fiduciary Component Unit**

The Central Pennsylvania School Employee Benefit Trust (the Trust) is included in the accompanying financial statements as a fiduciary component unit. The Trust was organized as a not-for-profit organization under Section 501(c)(9) of the Internal Revenue Code, for purposes of providing hospitalization, medical, dental, vision and prescription drug benefits to employees of participating member school districts. The Trustees, comprised of representatives of the member school districts, manage a schedule of benefits as determined by the personnel contracts between the members and the associations representing their professional and service personnel.

The District holds the assets of the Trust and is currently the sole participating member in the Trust. The Trust's governing body is comprised of 5 District officials and 5 bargaining unit representatives.

As defined above, there are no other related organizations which should be included in the District's financial statements.

Notes to Financial Statements June 30, 2023

#### **Basic Financial Statements, Government-Wide Statements**

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

In the government-wide Statement of Net Deficit, both the governmental and business-type activity columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. The District's net position is reported in three parts - net investment in capital assets, restricted net position and unrestricted net deficit. The District first utilizes restricted resources to finance qualifying activities.

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

The District does not allocate indirect costs.

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

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

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

The following fund types are used by the District:

#### **Governmental Funds**

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

## **General Fund (Major Fund)**

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

Notes to Financial Statements June 30, 2023

#### Capital Projects Fund (Nonmajor Fund)

The District utilizes a Capital Projects Fund, for purposes of accounting for capital activity, including the pending construction of a new elementary school building.

#### **School Sponsored Activity Fund (Nonmajor Fund)**

The School Sponsored Activity Fund accounts for the monies authorized by Section 511, of the Public School Code of 1949, for school publications and organizations.

#### **Proprietary Fund**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The applicable GAAP is similar to businesses in the private sector.

#### **Food Service Fund**

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

## **Fiduciary Fund Type**

Fiduciary funds account for assets held as a trustee or custodian for individuals, private organizations and/or other governmental units. Such funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The District's fund included in this category is:

#### Other Employee Benefit Trust Fund

The Trust provides coverage for medical claims equal to an amount in excess of \$40,000 for each participant, up to a maximum of \$1,000,000 per participant. The Trust has stop loss insurance for major medical claims which becomes effective when total claims exceed \$100,000. Contributions are predicated on the number of participants reported by the members and are calculated based on participant contribution rates. The Trust is also a member of the Pennsylvania Trust, a coalition of employee benefit trusts which provides catastrophic stop-loss insurance.

#### **Measurement Focus**

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

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

Notes to Financial Statements June 30, 2023

#### **Fund Financial Statements**

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

Proprietary funds are also accounted for using the economic resources measurement focus.

## **Basis of Accounting**

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

#### **Accrual**

Both the governmental and the business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or, for real estate taxes, within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, pensions, OPEB, compensated absences, claims and judgements if any, are recognized when due.

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

## **Budgets and Budgetary Accounting**

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

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

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

Notes to Financial Statements June 30, 2023

#### **Capital Assets**

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

Buildings and improvements Equipment and other capital assets 15-50 years 5-20 years

Assets under financed purchases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Amortization of assets under financed purchases are included in depreciation.

## **Compensated Absences**

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the District 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 position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District 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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

#### **Pension**

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

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

Notes to Financial Statements June 30, 2023

## Other Postemployment Benefits (OPEB)

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

#### **Governmental Fund Balances**

The District classifies its governmental fund balances as follows:

- Nonspendable includes fund balance amounts that cannot be spent either because it is not
  in spendable form or because of legal or contractual constraints. At June 30, 2023 the
  District's General Fund nonspendable fund balance is \$26,730 comprised of prepaid
  expenses.
- Restricted includes fund balance amounts that are constrained for specific purposes which
  are externally imposed by providers, such as creditors or amounts constrained due to
  constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that
  are internally imposed by the District through formal action of the Board of Directors which do
  not lapse at year-end
  - The Board of Directors of the District is its highest level of decision-making authority,
     and
  - The Board of Directors commits funds through a formal board motion.
- Assigned includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through a formal action of the Board of Directors
  - The Board of Directors of the District authorized the District Business Manager to assign funds to specific purposes.
  - The Board of Directors passed a board motion authorizing assignments for activities as contemplated by the board.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Notes to Financial Statements June 30, 2023

#### **Committed Fund Balance**

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

	Ge	neral Fund
Committed for:		
Capital projects - future elementary school building	\$	2,600,662
Capital projects - other improvements		375,000
Curriculum and instruction		300,000
Variable interest rate		200,000
Total	\$	3,475,662

#### Restricted Net Position/Fund Balances

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward the restricted fund balance and then to other, less-restrictive classifications - committed, assigned and the unassigned fund balance. The School Sponsored Activity Fund and Capital Projects Fund residual at year-end of \$341,495 is reported as restricted net position/fund balance.

#### **Use of Estimates**

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

#### **Eliminations and Internal Balances**

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and the business-type activity are labeled "internal balances" on the statement of net deficit.

#### **Adoption of New Accounting Standard**

The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This Statement defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The Statement requires the recognition of a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. The amortization of the subscription asset is then recognized as an outflow of resources over the subscription term. The adoption of this statement did not affect the District's financial reporting at June 30, 2023, as the District was not involved in any material SBITAs during fiscal 2023.

Notes to Financial Statements June 30, 2023

## 2. Cash and Cash Equivalents

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

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

The following is a description of the District's deposit and investment risks.

#### **Deposits With Local Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a formal policy for custodial credit risk. At June 30, 2023, \$26,684,644 of the District's bank deposits were exposed to custodial credit risk, as these deposits were not covered by depository insurance, but rather were collateralized with securities held by the pledging financial institution, but not in the District's name.

#### Pennsylvania Local Government Investment Trust (PLGIT)

PLGIT contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant owns shares of PLGIT, which invests the pooled assets. Such assets are not considered deposits, and as such are not subject to custodial credit risk. At June 30, 2023, the carrying amount and bank balances of the District's investment in PLGIT were \$6,018,467. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

#### Pennsylvania School District Liquid Asset Fund (PSDLAF)

The PSDLAF contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant owns shares of PSDLAF, which invests the pooled assets. Such assets are not considered deposits, and as such are not subject to custodial credit risk. At June 30, 2023, the carrying amount and bank balances of the District's investment in PSDLAF were \$75,941. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

Notes to Financial Statements June 30, 2023

## 3. Property Taxes

Property taxes are levied on August 1. Taxes are collected at a 2% discount until September 30, at their face amount from October 1 until November 30 and include a 10% penalty thereafter. The taxes are billed by Centre County, Pennsylvania and are collected by elected tax collectors. Centre County also collects delinquent real estate taxes for the District.

#### 4. Interfund Accounts

The Food Service Fund owed the General Fund \$5,848 for payroll and benefit expenses.

#### 5. Due From Other Governments

The amount reported in the governmental funds at June 30, 2023 as due from other governments is summarized below:

	F	ederal	 State	Total			
General Fund	\$	281,533	\$ 1,175,900	\$	1,457,433		

Amounts due from the federal and state government are primarily federal grants and state subsidies receivable from the Commonwealth of Pennsylvania, Department of Education.

## 6. Taxes Receivable, Net

A summary of the taxes receivable and related accounts at June 30, 2023 follows:

Real estate taxes receivable Earned income taxes receivable Real estate transfer tax receivable	\$ 554,278 341,937 80,860
Total	977,075
Estimated uncollectible taxes	 (9,423)
Total	\$ 967,652

Notes to Financial Statements June 30, 2023

# 7. Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

	J	Balance uly 1, 2022	 Increases	insfers/ creases	Jı	Balance ine 30, 2023
Governmental activities: Capital assets, not being depreciated:						
Land Construction in progress	\$	5,348,400	\$ 225,399	\$ <u>-</u>	\$	5,348,400 225,399
Total capital assets, not being depreciated		5,348,400	 225,399	 <u>-</u> ,		5,573,799
Capital assets, being depreciated: Buildings and improvements Financed purchases		76,152,149 661,720	141,856 -	- -		76,294,005 661,720
Equipment and other capital assets		4,241,192	 1,530,986	 		5,772,178
Total capital assets, being depreciated		81,055,061	 1,672,842			82,727,903
Accumulated depreciation for: Buildings and improvements Financed purchases Equipment and other capital		(29,926,040) (458,523)	(1,430,105) (94,362)	- -		(31,356,145) (552,885)
assets		(3,217,031)	 (452,006)			(3,669,037)
Total accumulated depreciation		(33,601,594)	 (1,976,473)	 		(35,578,067)
Total capital assets, being depreciated, net		47,453,467	 (303,631)	 		47,149,836
Governmental activities capital assets, net	\$	52,801,867	\$ (78,232)	\$ <u>-</u>	\$	52,723,635
Business-type activity: Capital assets being depreciated: Equipment and other capital assets	\$	341,024	\$ -	\$ -	\$	341,024
Accumulated depreciation: Equipment and other capital assets		(319,772)	 (9,585)	<u>-</u>		(329,357)
Business-type activity capital assets, net	\$	21,252	\$ (9,585)	\$ 	\$	11,667

Notes to Financial Statements June 30, 2023

Depreciation is charged to the following activities:

Governmental activities:
Instructional \$ 1,976,473

Business-type activity:
Food service 9,585

\$ 1,986,058

#### 8. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$3,384,794 represent salaries of \$2,356,383, the District's share of Social Security taxes of \$174,964 for teachers' services during the 2022-2023 school term, which are paid during July and August 2023, retirement plan expense of \$829,421 applicable to the accrued salaries at June 30, 2023 and workers' compensation of \$24,026.

## 9. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2023 are as follows:

		Balance July 1, 2022		Additions		Deductions	Ju	Balance une 30, 2023		nounts Due Vithin One Year
Note from direct borrowings, Land mortgage note payable	\$	1 170 042	¢		\$	(110 270)	\$	1 060 663	\$	120 412
General Obligation Bond Series	Ф	1,170,942	\$	-	Ф	(110,279)	Φ	1,060,663	Ф	120,412
2007		7,205,000		-		(130,000)		7,075,000		145,000
General Obligation Bond Series A of 2008		600,000		-		(300,000)		300,000		300,000
General Obligation Bond Series A of 2017		6,750,000		-		(1,640,000)		5,110,000		1,670,000
General Obligation Bond Series A of 2022		4,837,958				(1,201,000)		3,636,958		1,219,000
Total		20,563,900		-		(3,381,279)		17,182,621	\$	3,454,412
Bond premium		311,831		<u>-</u>		(71,199)		240,632		
Total	\$	20,875,731	\$		\$	(3,452,478)	\$	17,423,253		

Notes to Financial Statements June 30, 2023

Long-term debt at June 30, 2023 consists of the following:

\$1,771,538 note from direct borrowing, payable in varying monthly installments through August 2031, interest rate of 6.75%	\$ 1,060,663
\$8,014,458 General Obligation Bonds, Series of 2007 due in varying annual installments through January 2028, interest rate of 4.5%	7,075,000
\$3,500,000 General Obligation Bonds, Series A of 2008 due in varying annual installments through August 2023, weekly variable interest rate which was 1.78% at June 30, 2023	300,000
\$8,790,000 General Obligation Bonds, Series A of 2017 due in varying installments through May 2026, interest rates ranging from 1.05% to 4.0%	5,110,000
\$5,979,000 General Obligation Bonds, Series A of 2022 due in varying installments through May 2026, interest rate of 2.0%	3,636,958
Unamortized bond premium	 240,632
Total	17,423,253
Less current portion	 3,454,412
Long-term debt	\$ 13,968,841

The District's outstanding note from direct borrowing of \$1,060,663 is secured by the associated financed land. The outstanding note from direct borrowings contain provisions that if the District is unable to make payment, outstanding amounts are due immediately.

Debt service requirements at June 30, 2023 are as follows:

	<b>General Obligation Bonds</b>			Direct B	ring	Total					
	_	Principal		Interest	 Principal	-	Interest		Principal	-	Interest
Years ending June 30:											
2024	\$	3,334,000	\$	453,973	\$ 120,412	\$	27,520	\$	3,454,412	\$	481,493
2025		3,361,000		396,609	117,598		24,334		3,478,598		420,943
2026		3,371,958		331,843	120,873		21,059		3,492,831		352,902
2027		2,980,000		218,400	124,239		17,693		3,104,239		236,093
2028		3,075,000		81,769	127,699		14,232		3,202,699		96,001
2029-2033	_			-	 449,842		21,177		449,842		21,177
Total	\$	16,121,958	\$	1,482,594	\$ 1,060,663	\$	126,015	\$	17,182,621	\$	1,608,609

Notes to Financial Statements June 30, 2023

#### 10. Retirement Plan

## **Plan Description**

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally equal to 1% to 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 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 salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Notes to Financial Statements June 30, 2023

## **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		
				Prior to		
		7.50% base rate		7/1/21: 7.50;		
		with shared risk		After 7/1/21:		
T-E	On or after July 1, 2011	provision	N/A	8.00		
				Prior to		
		10.30% base rate		7/1/21: 10.30;		
		with shared risk		After		
T-F	On or after July 1, 2011	provision	N/A	7/1/21:10.80		
				Prior to		
		5.50% base rate		7/1/21:8.25;		
		with shared risk		After 7/1/21:		
T-G	On or after July 1, 2019	provision	2.75 %	9.00		
				Prior to		
		4.50% base rate		7/1/21:7.50;		
T.11	On an affair lab. 4, 0040	with shared risk	0.00	After 7/1/21:		
T-H	On or after July 1, 2019	provision	3.00	8.25		
DC	On or after July 1, 2019	N/A	7.50	7.50		

Notes to Financial Statements June 30, 2023

**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 District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31%\* of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$7,415,016 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$62,420,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was .1404%, which was a decrease of .0024% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$4,092,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		
Differences between expected and actual experience	\$	28,000	\$	540,000	
Changes in assumptions		1,864,000		-	
Net difference between projected and actual earnings on pension plan investments		-		1,059,000	
Changes in proportion and differences between District contributions and proportionate share of contributions		-		878,000	
District contributions subsequent to the measurement date		7,415,016		<u>-</u>	
Total	\$	9,307,016	\$	2,477,000	

\$7,415,016 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

<sup>\*</sup>This includes the defined contribution rate of 0.20% which is an estimated rate.

Notes to Financial Statements June 30, 2023

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

Years ending June 30:		
2024	\$ (94,000)	)
2025	(66,000	)
2026	(1,903,000	)
2027	1,478,000	
Total	\$ (585,000	)

#### **Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2022 (the 2022 measurement date) was determined by rolling forward the District's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method Entry Age Normal level percent of pay;
- Investment return 7.00%, includes inflation at 2.75%;
- Salary growth Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases:
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale;
- The discount rate used to measure the Total Pension Liability was 7% as of June 30, 2021 and 2022.

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2022 actuarial valuation:

- Salary growth rate decreased from 5.00% to 4.50%
- Real wage growth and merit or seniority increase (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.
- Mortality rates Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

Notes to Financial Statements June 30, 2023

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0 %	5.3 %
Private equity	12.0	8.0
Fixed income	33.0	2.3
Commodities	9.0	2.3
Infrastructure/MLPs	9.0	5.4
Real estate	11.0	4.6
Absolute return	6.0	3.5
Cash	3.0	0.5
Leverage	(11.0)	0.5
	100.0 %	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

#### **Discount Rate**

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

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

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

	1% Decrease (6.00%)		Current Discount Rate (7.00%)		1% Increase (8.00%)	
District's proportionate share of the net pension liability	\$ 80,736,000	\$	62,420,000	\$	46,977,000	

#### **Pension Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on PSERS' website at <a href="https://www.psers.pa.gov">www.psers.pa.gov</a>.

Notes to Financial Statements June 30, 2023

#### 11. Other Postemployment Benefits (OPEB)

#### Bellefonte Area School District Postemployment Benefits Plan

#### General Information about the OPEB Plan

#### **Plan Description**

The District's defined benefit OPEB plan, the Bellefonte Area School District Postemployment Benefits Plan (the Bellefonte OPEB Plan), provides postemployment benefits for all eligible employees of the District who elect to participate. The minimum requirements of the Bellefonte OPEB Plan are established by Pennsylvania Act 110 of 1988 and Act 43 of 1989. The School Board could choose to improve upon the minimum requirements in the future. The Bellefonte OPEB Plan is unfunded and no financial report is prepared. The Bellefonte OPEB Plan is a single employer defined benefit OPEB plan administered by the District.

#### **Benefits Provided**

The Bellefonte OPEB Plan provides the opportunity to purchase postemployment health insurance benefits to employees upon retirement with 30 years of PSERS service or through COBRA. Retired employees are allowed to continue coverage for themselves and their eligible dependents in the group health care plan until the retired employee reaches Medicare age, generally 65, as per their contracts.

#### **Employees Covered by Benefit Terms**

At July 1, 2021, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	30
Inactive employees entitled to but not yet receiving benefit	30
, ,	
payments	-
Active employees	403
Total	433

#### **Total OPEB Liability**

The District's total OPEB liability of \$2,017,879 was measured as of July 1, 2021 and rolled forward to June 30, 2023, determined by an actuarial valuation as of July 1, 2021.

Notes to Financial Statements June 30, 2023

## **Actuarial Assumptions**

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate 2.28%

Salary increases 2.5% cost of living adjustment, 1% real wage growth,

and for teachers and administrators a merit increase

which varies by age from 2.75% to 0%

Healthcare cost trend rates 5.5% in 2020 through 2023. Rates gradually decrease

from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost

Trend Model

same rate as the Health Care Cost Trend Rate. However, the first year trend assumption was adjusted to account for short-term rate caps

The discount rate was based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.

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

## **Changes in the Total OPEB Liability**

Balance at July 1, 2022	\$ 2,541,315
Changes for the year:	
Service cost	185,117
Interest	60,546
Difference between expected and actual experience	-
Changes in assumptions and in benefit terms	(638,143)
Benefit payments	 (130,956)
Net changes	 (523,436)
Balance at June 30, 2023	\$ 2,017,879

Assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Notes to Financial Statements June 30, 2023

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current discount rate:

	1%			1%		
	 Decrease (3.06%)		Discount Rate (4.06%)		Increase (5.06%)	
Total OPEB Liability	\$ 2,186,482	\$	2,017,879	\$	1,862,549	

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

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

	1% Decrease		Healthcare Cost Trend Rates		1% Increase		
Total OPEB Liability	\$	1,797,918	\$	2,017,879	\$	2,278,961	

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$161,149. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
Benefit payments subsequent to the measurement date Differences between expected and actual experience Changes of assumptions or other inputs	\$	82,268 - 268,856	\$	363,562 714,546		
Total	\$	351,124	\$	1,078,108		

\$82,268 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

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

Years ending June 30:	
2024	\$ (65,413)
2025	(65,413)
2026	(65,413)
2027	(65,413)
2028	(65,413)
Thereafter	 (482,189)
Total	\$ (809,254)

Notes to Financial Statements June 30, 2023

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

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

PSERS provides premium assistance program which is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

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

Retirees of PSERS can participate in the premium assistance program if they satisfy the following criteria:

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

#### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was .75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$161,149 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,584,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .1404%, which was a decrease of .0025% from its proportion measured as of June 30, 2022.

Notes to Financial Statements June 30, 2023

For the year ended June 30, 2023, the District recognized OPEB expense of \$67,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Ou	eferred efflows of esources	In	Deferred Iflows of Desources
Difference between expect and actual experience	\$	24,000	\$	-
Changes in assumptions		287,000		610,000
Net differences between projected and actual investment				
earnings		7,000		14,000
Changes in proportion		10,000		63,000
Contributions subsequent to the measurement date	-	161,149		
	\$	489,149	\$	687,000

\$161,149 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:	
2024	\$ 73,000
2025	61,000
2026	64,000
2027	76,000
2028	85,000
Thereafter	 
Total	\$ 359,000

#### **Actuarial Assumptions**

The Total OPEB Liability as of June 30, 2022 (the measurement date), was determined by rolling forward PSERS's Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method Entry Age Normal level percent of pay;
- Investment return 4.09% S&P 20 Year Municipal Bond Rate;
- Salary growth Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases;
- Premium Assistance reimbursement is capped at \$1,200 per year;
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year;
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree
  Tables for Males and Females, adjusted to reflect PSERS' experience and projected
  using a modified version of the MP-2020 Improvement Scale;
- Participation rate;
  - Eligible retirees will elect to participate Pre age 65 at 50;
  - Eligible retirees will elect to participate Post age 65 at 70%.

Notes to Financial Statements June 30, 2023

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2022;
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date;
- Asset valuation method: Market Value;
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance;
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

	OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash		100 %	0.5 %

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

#### **Discount Rate**

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Notes to Financial Statements June 30, 2023

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents PSERS net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if its health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1%	Decrease	 ealthcare ends Cost	1%	1% Increase			
PSERS Net OPEB Liability	\$	2,584,000	\$ 2,584,000	\$	2,584,000			

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

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

	1%	6 Decrease 3.09%	Dis	count Rate 4.09%	19	% Increase 5.09%
District's proportionate share of the net OPEB liability	\$	2,923,000	\$	2,584,000	\$	2,301,000

#### **OPEB Plan Fiduciary Net Position**

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

#### 12. Nonmonetary Transactions

The District receives United States Department of Agriculture donated commodities in the Food Service Fund. These donated commodities are valued at an estimated market value and recognized as federal revenue with unused commodities recorded as inventory. The total food commodities donated by the federal government recognized by the District in fiscal year 2023 totaled \$109,385.

Notes to Financial Statements June 30, 2023

#### 13. Other Related Local Educational Units

The District, along with two other school districts in the region, participates in the Central Pennsylvania Institute of Science and Technology (the Institute). The Institute was created for the purpose of offering vocational and technical training programs for the benefit of secondary school pupils and post-secondary adults in the County of Centre, Pennsylvania attendance area. The Institute is a joint venture of its three member school districts. The Institute is governed by a joint operating committee consisting of members from each participating district. Each participating school district must approve the Institute's annual operating budget.

The participating districts provide funds for the Institute's operations pursuant to a predetermined formula. The District made payments of approximately \$2,167,000 to the Institute during the year ended June 30, 2023.

Complete financial statements for the Institute can be obtained from the Institute's administrative office.

#### 14. Contingencies

#### Litigation

The District is involved in various litigation matters arising in the normal course of business which are still pending. The ultimate outcome of these cases or the District's exposure to liability, if any, cannot be determined at this time. Consequently, no provision has been made in these financial statements for this uncertainty. It is the opinion of management that the amount of potential claims not covered by insurance resulting from claims against the District would materially affect the financial position of the District at June 30, 2023.

#### 15. Transactions With Other LEAs

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

Notes to Financial Statements June 30, 2023

#### 16. Pending Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) has approved the following:

Statement No. 93, Replacement of Interbank Offered Rates

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

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an Amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32.

Statement No. 99, Omnibus 2022

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

Statement No. 101, Compensated Absences

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



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

Independent Auditors' Report

To the Board of Directors of Bellefonte Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Bellefonte Area School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2023.

#### Report on Internal Control Over Financial Reporting

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

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

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

#### **Report on Compliance and Other Matters**

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

#### **Purpose of This Report**

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

State College, Pennsylvania

Baker Tilly US, LLP

December 18, 2023



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

#### Independent Auditors' Report

To the Board of Directors of Bellefonte Area School District

#### Report on Compliance for the Major Federal Program

#### Opinion on the Major Federal Program

We have audited Bellefonte Area School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

#### Basis for Opinion on the Major Federal Program

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

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

#### Responsibilities of Management for Compliance

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

#### Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

#### **Report on Internal Control Over Compliance**

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

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

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

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

State College, Pennsylvania

Baker Tilly US, LLP

December 18, 2023

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

	 2023	2022	 2021	 2020	2019	2018	2017	 2016	2015		2014
District's proportion of the net pension liability	0.1404%	0.1428%	0.1429%	0.1431%	0.1431%	0.1458%	0.1425%	0.1420%	0.1421%		13.7700%
District's proportionate share of the net pension liability	\$ 62,420,000	\$ 58,629,000	\$ 70,363,000	\$ 66,946,000	\$ 68,695,000	\$ 72,008,000	\$ 70,618,000	\$ 61,508,000	\$ 56,244,000	\$	56,370,000
District's covered-employee payroll	\$ 20,604,433	\$ 20,076,443	\$ 19,312,265	\$ 19,729,703	\$ 19,275,821	\$ 19,412,932	\$ 19,360,188	\$ 18,469,334	\$ 18,264,678	\$	18,127,058
District's proportionate share of the net pension liability											
as a percentage of its covered-employee payroll	302.94%	292.03%	364.34%	339.32%	356.38%	370.93%	364.76%	333.03%	307.94%		310.97%
PSERS Plan fiduciary net position as a percentage of											
the total pension liability	0.6134	0.6367	0.5432	0.5566	0.54	0.5184	0.5014	0.5436	0.5724	nof	t available

Schedule of the District's PSERS Pension Contributions (Unaudited)

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution Contributions in relation to the contractually	\$ 7,415,016	\$ 7,067,089	\$ 6,836,685	\$ 6,715,991	\$ 6,429,351	\$ 6,146,009	\$ 5,473,943	\$ 4,661,233	\$ 3,782,013	\$ 2,939,817
required contribution	(7,415,016)	(7,067,089)	(6,836,685)	(6,715,991)	(6,429,351)	(6,146,009)	(5,473,943)	(4,661,233)	(3,782,013)	(2,939,817)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll Contributions as a percentage of covered-	\$ 20,650,496	\$ 20,604,433	\$ 20,076,443	\$ 19,312,265	\$ 19,544,942	\$ 19,275,821	\$ 19,412,932	\$ 19,360,188	\$ 18,469,334	\$ 18,264,678
employee payroll	35.91%	34.30%	34.05%	34.78%	32.90%	31.88%	28.20%	24.08%	20.48%	16.10%

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

	2023	2022		2021		2020		2019		2018		2017
District's proportion of the net OPEB liability	0.1404%	0.1428%	•	0.1429%	•	0.1431%	•	0.1431%	•	0.1458%	•	0.1425%
District's proportionate share of the net OPEB liability District's covered-employee payroll	\$ 2,584,000 20,604,433	\$ 3,386,000 20,076,443	\$	3,090,000 19,312,265	\$	3,044,000 19,729,703	\$	2,984,000 19,275,821	\$	2,971,000 19,412,932	\$	3,069,000 19,360,188
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	12.54%	16.87%		16.00%		15.43%		15.48%		15.30%		15.85%
PSERS Plan fiduciary net position as a percentage of the total OPEB liability	5.00%	5.00%		6.00%		6.00%		6.00%		6.00%		5.00%

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

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

Schedule of the District's PSERS OPEB Contributions (Unaudited) Years Ended June 30

	 2023	 2022	2021	 2020	2019	 2018 2017 2016		2015		2014		
Contractually required contribution Contributions in relation to the	\$ 161,149	\$ 165,603	\$ 166,402	\$ 168,653	\$ 163,695	\$ 160,718	\$	169,297	\$ 144,162	\$	157,584	\$ 154,727
required contribution	 (161,149)	 (165,603)	 (166,402)	 (168,653)	 (163,695)	 (160,718)		(169,297)	 (144,162)		(157,584)	 (154,727)
Contribution deficiency (excess)	\$ 	\$ 	\$ 	\$ 	\$ 	\$ <u> </u>	\$		\$ 	\$	_	\$ 
District's covered-employee payroll Contributions as a percentage of	\$ 20,650,496	\$ 20,604,433	\$ 20,076,443	\$ 19,312,265	\$ 19,544,942	\$ 19,275,821	\$	19,412,932	\$ 19,360,188	\$	18,469,334	\$ 18,264,678
covered-employee payroll	0.78%	0.80%	0.83%	0.87%	0.84%	0.83%		0.87%	0.74%		0.85%	0.85%

Schedule of Changes in Total OPEB Liability and Related Ratios - District Plan (Unaudited) Years Ended June 30

	2023		2022		 2021	2020		2019		 2018
Total OPEB Liability										
Service cost	\$	185,117	\$	211,929	\$ 153,893	\$	178,460	\$	167,875	\$ 166,674
Interest cost		60,546		55,402	85,946		87,746		94,606	77,686
Changes of assumptions		(638,143)		(212,882)	320,444		(71,001)		9,979	27,912
Difference between expected and actual experience		-		(199,079)	-		(278,667)		-	-
Benefit payments, including refunds of member contributions		(130,956)		(176,030)	 (223,320)		(343,821)		(381,509)	 (358,195)
Net change in total OPEB liability		(523,436)		(320,660)	336,963		(427,283)		(109,049)	(85,923)
Total OPEB Liability, Beginning		2,541,315		2,861,975	 2,525,012		2,952,295		3,061,344	 3,147,267
Total OPEB Liability, Ending	\$	2,017,879	\$	2,541,315	\$ 2,861,975	\$	2,525,012	\$	2,952,295	\$ 3,061,344
Covered-Employee Payroll	\$	19,692,859	\$	19,692,859	\$ 17,988,471	\$	17,988,471	\$	18,080,085	\$ 18,080,085
Total OPEB Liability as a Percentage of Covered-Employee Payroll		10.25%		12.90%	15.91%		14.04%		16.33%	16.93%

The District implemented GASB Statement No. 75 during its year ended June 30, 2018. Information prior to 2018 year is not available. The Plan is unfunded so total and net OPEB liability are the same.

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund Year Ended June 30, 2023

Revenues  Local sources:	
Taxation:	
Current taxation:	
Real estate	\$ 26,718,073
Earned income tax	7,437,818
Real estate transfers	774,106
Payments in lieu of taxes	112,791
Public utility realty tax	32,185
Tublic utility lealty tax	32,103
Total current taxation	35,074,973
Delinquent taxation	450,208
Total from taxation	35,525,181
Earnings from temporary investments and deposits	717,125
IDEA subsidy	549,459
Miscellaneous revenue	142,284
Total local sources	36,934,049
State sources:	
Basic instructional subsidy	9,347,231
Drivers Education	2,800
Mental health and safety and security	84,164
Vocation education	18,021
Special education	2,076,280
Transportation	741,048
Rental and sinking fund payments	700,558
Medical and dental services	48,350
Supplemental reimbursement	1,479,204
Social Security subsidy	754,030
Retirement subsidy	3,677,748
Other state grants	408,961
Carlot Grand	
Total state sources	19,338,395
Federal sources:	
Title I Grants to Local Educational Agencies	518,761
ESSER II	747,254
ESSER III	645,310
ARP ESSER Afterschool Programs	6,009
ARP ESSER Homeless Children and Youth	3,816
ARP ESSER 2.5%	18,143
ARP ESSER Learning Loss	100,418
PEMA	10,863
Title II	84,582
Title IV	33,044
Total federal sources	2,168,200
Total revenues	58,440,644

Schedule of Revenues, Expenditures and Change in Fund Balance - General Fund Year Ended June 30, 2023

Expenditures Instruction:		
Regular programs	\$	21,508,260
Special programs	·	9,029,261
Nonpublic school programs		27,906
Vocational education programs		3,263,959
Other instructional programs		163,231
Total instruction		33,992,617
Support services:		
Pupil personnel		1,722,145
Instructional staff		1,260,453
Administration		3,490,383
Pupil health		489,907
Business		534,410
Operation and maintenance of plant services		6,377,017
Student transportation		2,467,519
Central		1,700,617
Total support services		18,042,451
Noninstructional services:		
Student activities		1,127,679
Community services		1,838
Total noninstructional services		1,129,517
Debt service		3,952,695
Total expenditures		57,117,280
Excess of revenues over expenditures before other financing sources (uses)		1,323,364
manding sources (uses)		1,020,004
Other Financing Sources (Uses)		
Transfer out		(450,000)
Change in fund balance		873,364
Fund Balance, Beginning		13,046,203
Fund Balance, Ending	\$	13,919,567
-		

Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2023

	Capital Projects		Student Activity		Total	
Assets						
Assets Cash and cash equivalents Restricted cash and cash equivalents	\$	- 167,541	\$	321,291 -	\$	321,291 167,541
Total	\$	167,541	\$	321,291	\$	488,832
Liabilities and Fund Balances						
<b>Liabilities</b> Accounts payable	\$	142,449	\$	4,888	\$	147,337
Fund Balances Restricted		25,092		316,403		341,495
Total	\$	167,541	\$	321,291	\$	488,832

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2023

	Capital Projects		Student Activity		Total	
Revenues						
Local sources	\$	491	\$	349,751	\$	350,242
Expenditures Noninstructional services Facilities acquisition, construction		-		342,552		342,552
and improvement services		225,399		-		225,399
Total expenditures		225,399		342,552		567,951
Excess (deficiency) of revenues over expenditures before other financing sources		(224,908)		7,199		(217,709)
Other Financing Sources Transfer in		250,000		<u>-</u>		250,000
Changes in fund balances		25,092		7,199		32,291
Fund Balances, Beginning				309,204		309,204
Fund Balances, Ending	\$	25,092	\$	316,403	\$	341,495

Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Assistance Listing Number	Passed Through Grantor's Number	Grant Period Code	Program or Award Amount	Total Received for the Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Total Federal Expenditures	Accrued (Unearned) Revenue at June 30, 2023	Expenditures to Subrecipients
U.S. Department of Education Passed Through the PA Department of Education											
Title I, Part A											
Title I Grants to Local Educational Agencies Title I Grants to Local Educational Agencies	I I	84.010 84.010	013-210025 013-220025	A B	\$ 397,361 421,193	\$ (28,366) 60,177	\$ (28,366) 60,177	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	i	84.010	013-230025	С	475,808	397,308	-	475,808	475,808	78,500	
Title I Grants to Local Educational Agencies Title I Grants to Local Educational Agencies		84.010 84.010	107-210025 107-220025	A B	25,020 9,675	11,476 5,529	11,476 5,529	-	-	-	-
Title I Grants to Local Educational Agencies	i	84.010	107-230025	c	42,953	12,272		42,953	42,953	30,681	
Total Title I, Part A					-	458,396	48,816	518,761	518,761	109,181	
Supporting Effective Instruction State Grants:											
Supporting Effective Instruction State Grants	!	84.367	020-230025	С	84,582	41,940		84,582	84,582	42,642	-
Supporting Effective Instruction State Grants	ļ	84.367	020-220025	В	75,284	16,203	16,203				
Total Supporting Effective Instruction State Grants					-	58,143	16,203	84,582	84,582	42,642	<del></del>
Education Stabilization Fund											
COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund COVID-19 - CARES/Elementary And Secondary School Emergency Relief Fund COVID-19 - CARES/Elementary And Secondary School Emergency Relief	1	84.425D 84.425U	200-210025 224-210025	B C	1,555,352 18,143	548,196 18,143	(125,966)	747,254 18,143	747,254 18,143	73,092	-
<ul> <li>- Homeless Children and Youth</li> <li>COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund</li> </ul>	1	84.425W 84.425U	181-212027 223-210025	C C	14,591 3,178,681	3,368 1,213,678	- 584,013	3,816 645,310	3,816 645,310	448 15,645	-
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	i	84.425U	225-210025	C	176,467	64,170	(4,034)	100,418	100,418	32,214	-
COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund COVID-19 - ARP - Elementary And Secondary School Emergency Relief Fund	 	84.425U 84.425U	225-210025 225-210025	C C	35,294 35,294	12,835 12,835	(3,208) (3,208)	6,009	6,009	(16,043) (10,034)	
Total Education Stabilization Fund					<u>-</u>	1,873,225	447,597	1,520,950	1,520,950	95,322	
Student Support and Academic Enrichment Program:											
Student Support and Academic Enrichment Program Student Support and Academic Enrichment Program		84.424 84.424	144-220025 144-230025	B C	32,003 33,044	13,727 24,733	13,727	33,044	33,044	- 8,311	-
Total Student Support and Academic Enrichment Program:	·	01.121	111 200020	Ü	-	38,460	13,727	33,044	33,044	8,311	
Total PA Department of Education					-	2,428,224	526,343	2,157,337	2,157,337	255,456	-
Special Education Cluster (IDEA):					-						
Passed through Central Intermediate Unit No. 10											
COVID-19 - Special Education - Grants to States Special Education, Grants to States	!	84.027 84.027	062-22-0-0010 062-22-0010	B B	112,160 539,196	111,226 539,196	111,226 539,196	-	-	-	-
Special Education, Grants to States	i	84.027	062-23-0010	C	549,459	-		549,459	549,459	549,459	
Total Special Education Cluster (IDEA)					<u>-</u>	650,422	650,422	549,459	549,459	549,459	
Total U.S. Department of Education					-	3,078,646	1,176,765	2,706,796	2,706,796	804,915	
U.S. Federal Emergency Management Agency Passed through Pennsylvania Emergency Management Agency Public Assistance Grant		97.036	PW-107	С	236,235	10.863	_	10.863	10.863	_	_
		37.000	1 44-107	Ü	200,200	10,000		10,000	10,000		
U.S. Department of Agriculture Passed Through the PA Department of Education											
COVID-19 - Pandemic EBT Administrative Costs	1	10.649	358-000	С	627	627	-	627	627	-	-
Child Nutrition Cluster	,	40	000	_	NOTE:						
COVID-19 - National School Lunch Program COVID-19 - National School Lunch Program	1	10.555 10.553	362-0000 365-0000	C	NOTE 4 NOTE 4	554,939 158,406	36,518 9,240	518,421 149,166	518,421 149,166	-	-
COVID-19 - Supply Chain Assistance Program	i	10.555	356-0000	Ċ	NOTE 5	77,314	(56,432)	133,746	133,746	-	-
Passed Through the PA Department of Agriculture COVID-19 - National School Lunch Program	I	10.555	N/A	С	N/A	111,951	(2,403)	109,385	109,385	(4,969)	
Total Child Nutrition Cluster					-	902,610	(13,077)	910,718	910,718	(4,969)	
Total U.S. Department of Agriculture					_	903,237	(13,077)	911,345	911,345	(4,969)	
Total					•	\$ 3,992,746	\$ 1,163,688	\$ 3,629,004	\$ 3,629,004	\$ 799,946	\$ -

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal award activity of Bellefonte Area School District (the District) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

### 2. Summary of Significant Accounting Policies

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

#### 3. Relationship to Federal Financial Reports

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

#### 4. National School Lunch Program

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

#### 5. Source Code and Grant Period Code

Source codes used in the Schedule of expenditures of federal awards are as follows:

I = Indirect funding

Grant period code used in the Schedule of expenditures of federal awards is as follows:

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

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

C = 07/01/22 - 06/30/23

#### 6. Indirect Cost Rate

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

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

# Section I - Summary of Auditors' Results

**Financial Statements** 

Type of report the auditor issued on whether the fir statements audited were in accordance with GAA		Unmodified			
Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified?	- -	yes yes	X no X none reported		
Noncompliance material to financial statements noted?		yes	X no		
Federal Awards					
Internal control over major federal program: Material weakness(es) identified? Significant deficiency(ies) identified?	- -	yes yes	X no X none reported		
Type of auditors' report issued on compliance for n program:	•	Unmodified			
Any audit findings disclosed that are required to be accordance with 2 CFR 200.516(a)?	e reported in	yes	X no		
Identification of major federal programs:					
Assistance Listing Number(s)	Name	e of Federal Pro	gram or Cluster		
84.425	Education Stabilization Fund				
Dollar threshold used to distinguish between Type A and Type B programs:	5	\$750,000			
Auditee qualified as low-risk auditee?		X yes	no		

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

#### **Section II - Financial Statement Finding**

None.

#### **Section III - Federal Award Findings and Questioned Costs**

None.

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

# Finding 2022-001: Internal Control Over Financial Reporting - Evaluation of Potential Component Units (Significant Deficiency)

*Criteria:* Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, establishes standards for determining which organizations should be included in a government's financial reporting entity, and for reporting the financial information of those organizations (i.e., a primary government and its potential component units). GASB Statement No. 84, *Fiduciary Activities*, further introduced the concept of a fiduciary component unit to this determination.

Condition/Context: During the fiscal year ended June 30, 2022, the District concluded that the Central Pennsylvania School Employee Benefit Trust (Trust) met the criteria of a fiduciary component unit and restated the beginning net position of its Other Employee Benefit Trust Fund to include the Trust effective July 1, 2021.

Status: Corrective action was taken relative to this matter during the fiscal year ended June 30, 2022.

