



POTTSTOWN SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Pottstown School District
Pottstown, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 84 through 88 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 Pottstown School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025, on our consideration of Pottstown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pottstown School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pottstown School District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
February 13, 2025**



POTTSTOWN
SCHOOL DISTRICT

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POTTSTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2024

The following is a discussion and analysis of the Pottstown School District's annual financial performance during the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

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

DISTRICT HIGHLIGHTS

The Pottstown School District is a school district of the third class, coterminous with the Borough of Pottstown. The District covers an area of 5.1 square miles in a section of Montgomery County. The governing body of the School District is a Board of School Directors composed of nine members. Members are elected to four-year terms, which expire on a staggered basis. The daily operations and management of the School District are carried out by the administrative staff of the School District headed by the Superintendent of Schools, who is appointed by the Board.

The Pottstown School District consisted of four (4) elementary schools, a middle school, a high school, an elementary building housing special education programs, an Administration Building, a Pre K Learning Center and two (2) maintenance buildings. Renovations to Barth Elementary School were substantially completed during the 2012-13 school year. Edgewood Elementary School was closed at the end of the 2012-13 school year, but housed the Rupert Elementary School students and staff during 2013-14 and up to November 10, 2014 when additions and renovations were completed at the Rupert Elementary School building. Work on additions and renovations to Franklin and Lincoln Elementary Schools also took place during the 2013-14 year and were completed in time for the opening of the 2014-15 school year. The District's enrollment, including out placed students, was 3,332 students. The District employed approximately 278 professionals (including Long Term Subs), 236 support staff, and 28 full time administrators. The District's commitment to provide an excellent education for each student can be seen in the quality of programs and opportunities the District maintains and supports.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

- The net position for business-type activities or Food Service increased by \$370,864. In 2023-24 the District's Food Service participated, for the 10th year, in the Community Eligibility Provision, which provides free breakfast and lunch to all students and provides a higher subsidy. The cafeteria operates independently from the General Fund. The number of meals increased significantly since the COVID-19 pandemic.
- Total net position for governmental activities increased by \$2,180,452 reducing the net position deficit from (\$27,562,374) to (\$25,381,922). The deficit position is the result of the net pension liability and net other postemployment benefit liability and related deferred inflows and outflows of resources of \$64,964,858 and \$8,500,652, respectively.

Fund Level

- Total General Fund expenditures exceeded revenues and other financing sources by \$860,303 reducing the General Fund fund balance to \$25,043,266.
- Total General Fund revenues were \$8,414,185 greater than anticipated. Local revenue exceeded the budget by \$3,058,851. Local Real Estate Taxes were over by approximately \$871,480 and the earned income tax revenue provided \$562k and interest income provided \$955k more than anticipated. State funding was \$4,155,483 more than budgeted due to increased state grant funding including \$2,500,000 in additional funds from the ready to learn grant, \$1.2M in basic education subsidy. Federal revenue was \$1,199,851 more than budgeted as a result of actual Gear Up grant revenue \$760k and \$300k more than budgeted Title funding.
- Total General Fund expenditures were more than budgeted by \$8,843,464. This was due to additional resources and supplies used to offset additional Ready to Learn, Gear Up and Basic Educational funding. Instructional Expenditures were over budget by \$3,362,746 offset by additional grant revenue. Total Support Services expenditures were over budget by \$5,201,913. This was due to additional revenue from the Gear Up Grant and Safety and Security Funding through State and federal grants.

- The trends of prior years indicated that during the fiscal year 2023-2024, the Pottstown School District would experience another year of significant increases in the costs for special education instruction and transportation along with increased tuition charges. Further, anticipated remediation costs from the COVID-19 Pandemic and loss of Covid funding will continue to cause an additional drain on financial resources.
- At the close of the fiscal year, the General Fund ending fund balance decreased by \$860,303 to \$25,043,266 of which \$6,785,182 is unassigned. The remaining General Fund balance is comprised of funds restricted for the district's music programs of \$210,707; committed for PSERS of \$3,119,774; non-spendable fund balance of \$249,402 consisting of prepaid expenditures and an assigned fund balance of \$14,678,201 (\$9,535,435 for capital projects, \$2,102,329 for transportation, \$3,002,801 for special education and charter tuition and \$37,636, which is appropriated in the 2024-25 budget). The Capital Projects ending fund balance increased \$122,418 to a balance of \$2,396,715. This is also observed in the Total Governmental fund balance decrease of \$752,806, from \$28,553,525 to \$27,800,719.
- A Proprietary Internal Service Fund was established with the Southeastern Pennsylvania Schools Trust (SEPaST) for self-funded medical costs and has a net position of \$5,562,669. This represents an increase of \$701,421. These funds are a combination of the funds reserved in prior years for medical costs and better experience in recent years than anticipated in actual medical and prescription costs. Beginning 7/1/25 support staff will be able to include spouse coverage, this coverage was discontinued in 2012 and will result in future increased costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements and (3) required supplementary information. The basic financial statements include two types of financial statements that present different views of the District.

- The first type includes two district-wide or government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The other type and remaining statements are the fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - *Governmental Funds* statements indicate how basic services, such as regular and special education, were financed in the short term as well as indicate future spending plans.
 - *Proprietary Funds* statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services.
 - *Fiduciary Funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of the annual report are arranged and related to the other.

Figure A-1

Organization of the Pottstown School District Annual Financial Report

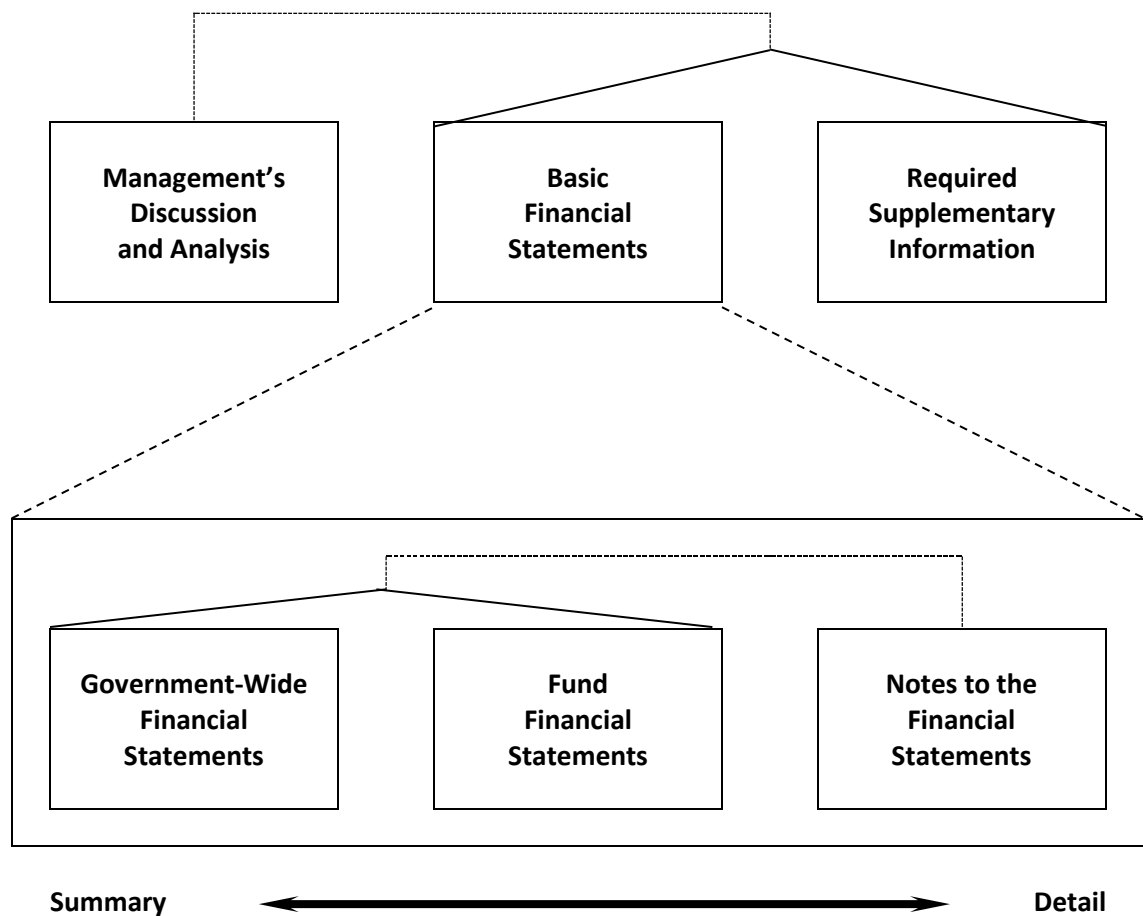


Figure A-2 summarizes the major features of the District's statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, current and noncurrent and deferred inflows and outflows of resources	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included	All assets and liabilities, both financial and capital, current and noncurrent and deferred inflows and outflows of resources	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position and the statement of activities are two financial statements that report information about the District as a whole and about its activities that indicate whether the District is better off or worse off as a result of this year's activities. These statements include all the District's assets and liabilities using the accrual basis of accounting. Revenue and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position." Over time, increases and decreases in net position measure whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods: uncollected taxes, retirement incentives, and unused vacation leave.

Both statements report two activities:

- ***Governmental Activities*** - Most of the District's basic services, such as regular and special education, maintenance, and operation of plant services, are reported under this category. Taxes, state formula aid finance, and state and federal grants generally fund these programs.
- ***Business-Type Activities*** - The only business-type activity in the District is food service operations. The sources of funding for operations consist of charges for meal purchases and federal and state subsidies.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District, not the District as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. Some funds are required by state law and by bond requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (transfers and bond proceeds).

The District's funds are divided into three categories: (1) Governmental, (2) Proprietary, and (3) Fiduciary.

- **Governmental Funds** - Most of the District's basic services are included in Governmental Funds that focus on how money flows into and out of these funds and the balances left at year-end for future spending. The Governmental Funds financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the District's programs.

These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund and the Capital Projects Fund. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information behind the Governmental Funds statements explains the relationship (or differences) between them.

- **Proprietary Funds** - Services for which the District charges a fee are generally reported in the Proprietary Funds. These funds utilize the accrual accounting method, which is the same method used by private sector businesses, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides, whether to outside customers or to other units in the District, these services are generally reported in the Proprietary Funds. The Food Service Fund is the District's Enterprise Fund and is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. In addition to the food service enterprise fund, the District has an internal service fund which is used to record the activities associated with self-funding for medical and prescription benefits.
- **Fiduciary Funds** - The District currently does not have any fiduciary funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position increased \$2,551,316 over the course of the fiscal year's operations for total combined net deficit at June 30, 2024, of (\$24,762,473). The governmental funds decrease in net bonds payable exceeding the net capital asset decrease as well as the net pension liability and net other postemployment benefits and related deferred inflows/outflows decrease is a main contributing factor to the districts change in net position. The District's financial position was derived from its governmental activities, the net position of which increased \$2,180,452 to (\$25,381,922). The net position of the District's business-type activities increased \$370,864 to \$619,449.

Figure A-3 - Condensed Statement of Net Position (in millions)

	Governmental Activities		Business-Type Activities		Total District	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
<u>Assets</u>						
Current and other	\$ 46.2	\$ 48.6	\$ 1.7	\$ 1.6	\$ 47.9	\$ 50.2
Capital assets	49.1	50.5	0.3	0.2	49.4	50.7
TOTAL ASSETS	95.3	99.1	2.0	1.8	97.3	100.9
Deferred outflows of resources	21.9	18.4	0.6	0.5	22.5	18.9
<u>Liabilities</u>						
Current and other	14.0	16.1	0.1	0.1	14.1	16.2
Long-term	123.2	121.6	1.8	1.8	125.0	123.4
TOTAL LIABILITIES	137.2	137.7	1.9	1.9	139.1	139.6
Deferred inflows of resources	5.4	7.4	0.1	0.2	5.5	7.6
<u>Net Position (Deficit)</u>						
Net investment in capital assets	13.7	12.4	0.3	0.2	14.0	12.6
Restricted	7.5	6.0	-	-	7.5	6.0
Unrestricted	(46.6)	(46.0)	0.3	-	(46.3)	(46.0)
TOTAL NET POSITION (DEFICIT)	\$ (25.4)	\$ (27.6)	\$ 0.6	\$ 0.2	\$ (24.8)	\$ (27.4)

Most of the District's net position is invested in capital assets (buildings, land, and equipment).

The District's total net position increased by \$2,551,316. The increase consists of a decrease in Cash and Investments of \$6.5 million, along with Bonds Payable decreasing \$2.7M while the Southeastern Pennsylvania Schools Trust increased \$1.3M. This is offset by an increase in Intergovernmental Receivables of \$2.9M primarily as a result of additional grants and state revenue received. In addition, the deferred outflows of resources increased \$3.5M due to the accounting under *GASB No. 68, Accounting and Financial Reporting for Pensions* and *GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Deferred inflows of resources decreased \$2.0M in addition to total liabilities decreased \$500k. The decrease in liabilities includes a decrease in Payroll Accrual and withholdings of \$2.5M.

The District closely monitors and gives consideration to real estate and economic trends. These considerations are conservatively reflected in the annually approved General Fund budget. As of 2017, Pottstown Hospital Co. LLC was the School District's largest real property taxpayer. The most recent assessed value for the four parcels associated with Pottstown Hospital Co. LLC was \$23,540,030 (as of December 31, 2017). Effective October 1, 2017, Tower Health, a not-for-profit entity, acquired Pottstown Hospital Co. LLC.

Governmental activities had (180%) of total net position (deficit) as unrestricted. This is the largest component of the District's net position. The Board of Directors and Administration have judiciously followed their capital project's strategy to meet their timeline for investments in capital assets. Business-type activities had 48% of total net position as unrestricted.

A major portion (93.0%) of the District's total costs for operating programs and services was related to student instruction and support for instruction, including the operation/maintenance of school facilities and transportation as detailed in Figure A-4, Changes in Net Position from Operating Results.

The results of this year's operations as a whole are reported in the statement of activities in the financial statements. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Figure A-4 takes the information from the statement of activities and rearranges it slightly, so you can see our total revenues for the year. The following table reflects the revenues and expenses for 2024 and 2023.

Figure A-4 - Changes in Net Position from Operating Results (In Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
REVENUES						
Program Revenues						
Charges for Services	\$ 0.1	\$ 0.4	\$ 0.1	\$ -	\$ 0.2	\$ 0.4
Operating grants and contributions	29.6	26.8	2.9	2.9	32.5	29.7
Capital grants and contributions	1.1	1.1	-	-	1.1	1.1
General Revenues						
Property taxes	29.8	29.8	-	-	29.8	29.8
State aid	22.0	19.6	-	-	22.0	19.6
Other taxes and miscellaneous	5.5	5.1	-	-	5.5	5.1
TOTAL REVENUES	88.1	82.8	3.0	2.9	91.1	85.7
EXPENSES						
Instruction	53.6	47.2	-	-	53.6	47.2
Pupil and instructional services	10.3	8.9	-	-	10.3	8.9
Administration and business	6.6	6.0	-	-	6.6	6.0
Maintenance and operations	8.9	7.7	-	-	8.9	7.7
Transportation	3.7	2.7	-	-	3.7	2.7
Other	2.8	2.6	2.6	2.3	5.4	4.9
TOTAL EXPENSES	85.9	75.1	2.6	2.3	88.5	77.4
CHANGE IN NET POSITION	2.2	7.7	0.4	0.6	2.6	8.3
Net Position (Deficit) - Beginning	(27.6)	(35.3)	0.2	(0.4)	(27.4)	(35.7)
Net Position (Deficit) - Ending	\$ (25.4)	\$ (27.6)	\$ 0.6	\$ 0.2	\$ (24.8)	\$ (27.4)

The following Figure A-5 presents the expenses of both the governmental activities and the business-type activities of the District.

Figure A-5 - Net Cost of District Activities

	2024		2023	
Functions/Programs	Total Cost of Services	Net Cost (Income) of Services	Total Cost of Services	Net Cost (Income) of Services
Instruction	\$ 53,613,369	\$ 31,590,147	\$ 47,194,174	\$ 26,504,217
Pupil and instructional services	10,279,486	7,166,705	8,926,653	6,145,946
Administration and business	6,583,219	4,940,266	6,002,587	4,879,498
Maintenance and operations	8,942,582	7,380,202	7,772,099	6,473,038
Transportation	3,667,577	2,976,409	2,697,781	2,108,031
Pupil Health Services/Other				
Student activities				
and community services	1,988,390	1,280,743	1,629,389	925,931
Interest on long-term debt	883,419	(236,048)	964,761	(143,545)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 85,958,042</u>	<u>55,098,424</u>	<u>\$ 75,187,444</u>	<u>46,893,116</u>
Less unrestricted grants, subsidies		<u>21,985,295</u>		<u>19,638,318</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES		<u>\$ 33,113,129</u>		<u>\$ 27,254,798</u>
Business-Type Activities				
Food Service	\$ 2,684,145	\$ (296,949)	\$ 2,276,005	\$ (624,370)

Figure A-5 shows the District's six largest functions: instruction, pupil and instructional services, administrative and business services, operation and maintenance of plant, pupil transportation and student activities and community services, as well as each program's net cost (total cost less revenues generated by the activities). This figure also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the end of the 2023-2024 fiscal year, Governmental Funds had a total year-end fund balance of \$27,800,719, a \$752,806 decrease from the prior fiscal year's balance of \$28,553,525. The General Fund decreased \$860,303 as result of the annual expenses being above expected primarily as a result of transportation and tuition. Capital Projects increased \$122,418 as a result of earned interest.

General Fund Budgetary Highlights

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

The District applies for federal, state and local grants, and these grants cannot always be anticipated in the budgetary process. Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The budgetary reserve (contingency) is an amount that will be used for unexpected expenditures throughout the fiscal year. Experience indicates that there are certain variables in expenditures where control is difficult, regardless of the care with which the budget is prepared.

The District's budget for fiscal year 2023-2024 anticipated expenditures exceeding revenue by \$679,635; however, the actual results for the year produced expenditures exceeding revenue and other financing uses of \$860,303. Total revenues received were \$8,414,185 over budget. Local revenue collected exceeded the budget by \$3,058,851. This was a direct result of additional Real Estate and Earned Income tax collections received which were not included in the budget along with higher than anticipated interest earned. Funds received from State revenue exceeded the budget by \$4,155,483 as a result of additional Ready to Learn Grant, Basic Education subsidy and retirement subsidy funding. Federal revenues were \$1,199,851 more than anticipated as a result of additional funding from the Gear Up Grant and Title 1 grant funding.

Total expenditures were over budget by \$8,843,464. Instructional expenditures were \$3,362,746 over spent, which was attributed to the additional programs to address learning loss due to the COVID 19 Pandemic. Support services were over spent by \$5,201,913 this was primarily a result of the addition of operation and maintenance of plant and transportation grant funding for replacement of emergency management systems such as alarms and cameras.

The District's conservative approach to budgeting is observed by the results indicating that actual revenues were greater than budgeted revenues and actual expenditures were over spent as a result of the additional grants received, which were not included in the original budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the Pottstown School District, capital assets include land, buildings, furniture and equipment, vehicles, and other items which meet the following criteria:

1. The individual asset must have a useful life of greater than one year.
2. The individual asset cost is equal to or greater than \$5,000 or was purchased with debt proceeds.

The District maintains fixed asset records for the above capital assets, as well as for items costing over \$5,000 with a life extending at least one year. Each department or school is responsible for the protection of these assets.

At June 30, 2024, the District had \$49,436,095 (net of depreciation/amortization) invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture and equipment. Total depreciation/amortization expense for the year was \$3,865,897 for governmental activities. Capital additions were made to governmental activities in the amount of \$2,507,533. With the Elementary Schools projects completed, capital assets will continue to decrease, as depreciation will normally exceed the annual improvements. More detailed information about our capital assets is included in Note 7 to the financial statements.

Figure A-6 Capital Assets (Net of Depreciation/Amortization), in Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Land and Construction In Progress	\$ 0.7	\$ 0.8	\$ -	\$ -	\$ 0.7	\$ 0.8
Site improvements	1.6	1.5	-	-	1.6	1.5
Buildings and building improvements	45.2	46.8	-	-	45.2	46.8
Furniture and equipment	1.5	1.4	0.3	0.2	1.8	1.6
Vehicles	0.1	-	-	-	0.1	-
	<u>\$ 49.1</u>	<u>\$ 50.5</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$ 49.4</u>	<u>\$ 50.7</u>

Long-Term Debt

At year-end, the District had \$34,760,000 of general obligation bonds. This is a decrease of \$2,685,000 from the previous year as a result of debt payments. Other obligations include leases payable and compensated absences (accrued vacation pay and sick leave for specific employees of the District). More detailed information about our long-term liabilities is included in Note 8 to the financial statements.

Figure A-7 Outstanding Long-Term Debt (In Millions of Dollars)

	<u>2023-24</u>	<u>2022-23</u>
General obligation bonds, net	\$ 35.0	\$ 38.1
Leases payable	0.2	-
Compensated absences	0.9	0.5
	<u>\$ 36.1</u>	<u>\$ 38.6</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future financial growth.

- The District has completed the Elementary Schools Project. The decision has been made to maintain the Administration Building & Edgewood Elementary. Improvements will be necessary in the future to maintain both buildings for the long-term. Necessary improvements may include items such as HVAC repair, mechanical upgrades, plumbing repairs, window replacement, masonry repairs, asbestos abatement and cosmetic upgrades such as paint, carpeting, and flooring.

- The Pennsylvania School Employees Retirement System continues to reset the percentage of payroll that school districts must pay as the actuarial projections based on required investment returns are not met. The actual and projected rates for employer contributions were, again, recently increased as follows:

- 2010-11 was 5.64%
- 2011-12 was 8.65% - an increase of 53.4%
- 2012-13 was 12.36% - an increase of 42.9%
- 2013-14 was 16.93% - an increase of 37.0%
- 2014-15 was 21.4% - an increase of 26.4%
- 2015-16 was 25.84% - an increase of 20.8%
- 2016-17 was 30.03% - an increase of 16.2%
- 2017-18 was 32.57% - an increase of 8.45%
- 2018-19 was 33.43% - an increase of 2.6%
- 2019-20 was 34.29% - an increase of 2.57%
- 2020-21 was 34.51% - an increase of .64%
- 2021-22 was 34.94% - an increase of 1.25%
- 2022-23 is 35.26% - an increase of 1.0%
- 2023-24 is 34% - a decrease of 3.57%
- 2024-25 is 33.9% - a decrease of .29%
- 2025-26 is 34% - an increase of .29%

The 34.00% ECR represents the first rate increase in two fiscal years. The ECR fell slightly in FY 2023-24 and again in the current FY 2024-25. The FY 2026 ECR is 0.10% higher than the FY 2025 rate of 33.90%. Total FY 2026 employer contributions are projected to rise by about 4% (\$210 million) to \$5.5 billion compared to the FY 2025 estimate of \$5.29 billion

The ECR is made up of several actuarial components, not just net investment returns. Other ECR components include school employer payroll, retirement and termination projections, and demographic factors such as mortality

- The District anticipates rising health care costs in the ensuing fiscal years, as indicators report increases significantly above the index. The District moved to the self-funded SEPAST, comprised of various county districts, to realize administrative savings on health benefits.

- The Governor and state legislature passed Act 1 of the 2006 Special Session - Taxpayer Relief Act that has an effect on how school districts budget and raise revenue for education since the 2007-08 fiscal year. This legislation restricts the School District's ability to increase property taxes without voter approval of the District's budget if the budget exceeds an annual inflation index determined by the Commonwealth. The District has never exceeded the index and only raised taxes to half (50%) of the allowable rate as indicated by the index for the 2012-13 school year while there was no tax increase in the 2015-16, 2016-17 and 2017-18 school years. The district raised taxes to the adjusted index 3.5% for a millage rate of 40.62 in 2018-2019 and raised taxes to the adjusted index 3.3% for a millage rate of 41.96 in 2019-2020. The District did not raise taxes in 2020-21, 2021-22, 2022-23, 2023-24, or 2024-25 the millage rate remains at 41.96.
- Legislation was passed which eliminates all but three exceptions of the original exceptions passed under the Act 1 of the 2006 Special Session, allowing Districts to increase local tax effort above the Index without voter approval. The three remaining exceptions are retirement, debt and special education expenses.
- The District currently has a labor agreement with the Federation of Pottstown Teachers with a contract period of August 31, 2022 through September 1, 2025.
- With the change in Governor and legislators there is uncertainty in the financial support for public schools at the state level. There is also momentum building for real estate tax elimination that would significantly hinder the district's ability to meaningfully impact school finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Pottstown School District, 230 Beech Street, Pottstown, PA 19464.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 29,166,133	\$ 1,541,956	\$ 30,708,089
Taxes receivable, net	2,123,275	-	2,123,275
Internal balances	(115,657)	115,657	-
Intergovernmental receivables	10,051,481	6,260	10,057,741
Other receivables	252,416	-	252,416
Inventories	-	42,446	42,446
Prepaid expenses	407,402	-	407,402
Funds held by Southeastern Pennsylvania Schools Trust	4,345,828	-	4,345,828
Capital assets:			
Capital assets not being depreciated	730,434	-	730,434
Capital assets, net of accumulated depreciation	48,165,274	320,532	48,485,806
Right-to-use lease assets, net of accumulated amortization	219,855	-	219,855
TOTAL ASSETS	95,346,441	2,026,851	97,373,292
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	326,378	-	326,378
Deferred outflows of resources for pension	19,980,254	521,393	20,501,647
Deferred outflows of resources for other postemployment benefits	1,581,368	69,309	1,650,677
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,888,000	590,702	22,478,702
LIABILITIES			
Accounts payable	2,925,274	4,297	2,929,571
Accrued interest	136,657	-	136,657
Payroll accruals and withholdings	7,965,386	32,537	7,997,923
Unearned revenues	158,613	2,625	161,238
Noncurrent liabilities, due within one year	2,825,284	-	2,825,284
Noncurrent liabilities:			
Bonds payable, net	32,512,424	-	32,512,424
Lease payable	178,460	-	178,460
Long-term portion of compensated absences	887,133	25,319	912,452
Net pension liability	83,635,565	1,689,435	85,325,000
Net other postemployment benefit liabilities	6,005,105	131,190	6,136,295
TOTAL LIABILITIES	137,229,901	1,885,403	139,115,304
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	1,309,547	87,019	1,396,566
Deferred inflows of resources for other postemployment benefits	4,076,915	25,682	4,102,597
TOTAL DEFERRED INFLOWS OF RESOURCES	5,386,462	112,701	5,499,163
NET POSITION			
Net investment in capital assets	13,686,862	320,532	14,007,394
Restricted for:			
Capital projects	2,396,715	-	2,396,715
Health claims	4,503,828	-	4,503,828
Student activities and donor purposes	571,445	-	571,445
Unrestricted (deficit)	(46,540,772)	298,917	(46,241,855)
TOTAL NET POSITION (DEFICIT)	\$ (25,381,922)	\$ 619,449	\$ (24,762,473)

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 53,613,369	\$ -	\$ 22,023,222	\$ -	\$ (31,590,147)	\$ -	\$ (31,590,147)
Instructional student support	10,279,486	-	3,112,781	-	(7,166,705)	-	(7,166,705)
Administrative and financial support services	6,583,219	-	1,642,953	-	(4,940,266)	-	(4,940,266)
Operation and maintenance of plant services	8,942,582	65,990	1,496,390	-	(7,380,202)	-	(7,380,202)
Pupil transportation	3,667,577	769	690,399	-	(2,976,409)	-	(2,976,409)
Student activities	1,885,245	69,532	571,911	-	(1,243,802)	-	(1,243,802)
Community services	103,145	-	66,204	-	(36,941)	-	(36,941)
Interest on long-term debt	883,419	-	-	1,119,467	236,048	-	236,048
Total Governmental Activities	85,958,042	136,291	29,603,860	1,119,467	(55,098,424)	-	(55,098,424)
Business-Type Activities							
Food service	2,684,145	87,219	2,893,875	-	-	296,949	296,949
Total Primary Government	<u>\$ 88,642,187</u>	<u>\$ 223,510</u>	<u>\$ 32,497,735</u>	<u>\$ 1,119,467</u>	(55,098,424)	296,949	(54,801,475)
General Revenues							
Taxes:							
Property taxes					29,777,507	-	29,777,507
Public utility realty, earned income, local service and mercantile taxes					4,079,817	-	4,079,817
Grants, subsidies, and contributions not restricted to specific programs					21,985,295	-	21,985,295
Investment earnings					1,407,835	73,915	1,481,750
Miscellaneous income					28,422	-	28,422
Total General Revenues					57,278,876	73,915	57,352,791
Change in Net Position					2,180,452	370,864	2,551,316
Net Position (Deficit) - Beginning of Year					(27,562,374)	248,585	(27,313,789)
Net Position (Deficit) - End of Year					<u>\$ (25,381,922)</u>	<u>\$ 619,449</u>	<u>\$ (24,762,473)</u>

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2024

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue Student Activities	Total Governmental Funds
ASSETS				
Cash and investments	\$ 26,166,554	\$ 2,427,149	\$ 361,723	\$ 28,955,426
Restricted cash	210,707	-	-	210,707
Interfund receivables	38,066	-	-	38,066
Taxes receivable	2,160,381	-	-	2,160,381
Intergovernmental receivables	10,051,481	-	-	10,051,481
Other receivables	252,416	-	-	252,416
Prepaid expenditures	249,402	-	-	249,402
TOTAL ASSETS	\$ 39,129,007	\$ 2,427,149	\$ 361,723	\$ 41,917,879
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payable	\$ 1,736,242	\$ 30,434	\$ -	\$ 1,766,676
Accounts payable	2,131,266	-	985	2,132,251
Accounts payable - capital	238,911	-	-	238,911
Accrued salaries and benefits	7,665,231	-	-	7,665,231
Payroll deductions and withholdings	300,155	-	-	300,155
Unearned revenues	158,613	-	-	158,613
TOTAL LIABILITIES	12,230,418	30,434	985	12,261,837
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,855,323	-	-	1,855,323
FUND BALANCES				
Nonspendable	249,402	-	-	249,402
Restricted	210,707	2,396,715	360,738	2,968,160
Committed:				
PSERS increase	3,119,774	-	-	3,119,774
Assigned:				
Capital projects	9,535,435	-	-	9,535,435
Charter school / special education tuition	3,002,801	-	-	3,002,801
Transportation	2,102,329	-	-	2,102,329
Appropriated 2024/2025 budget	37,636	-	-	37,636
Unassigned	6,785,182	-	-	6,785,182
TOTAL FUND BALANCES	25,043,266	2,396,715	360,738	27,800,719
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 39,129,007	\$ 2,427,149	\$ 361,723	\$ 41,917,879

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 27,800,719**

Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$116,698,000 and the accumulated depreciation/amortization is \$67,582,437.

49,115,563

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 reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.

1,818,217

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (34,760,000)	
Leases payable	(223,744)	
Accrued interest on bonds and leases	(136,657)	
Unamortized bond premium	(632,825)	
Unamortized bond discount	100,401	
Deferred charge on bond refunding	326,378	
Long-term portion of compensated absences	<u>(887,133)</u>	(36,213,580)

The net pension liability and related deferred outflows and inflows of resources of pensions are not reflected on the fund financial statements.

(64,964,858)

The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.

(8,500,652)

An internal service fund is used by the District to account for future self-insured healthcare costs. The assets and liabilities of the internal service fund are reported with governmental activities.

5,562,669

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES **\$ (25,381,922)**

POTTSTOWN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2024

	General	Capital Projects	Nonmajor Governmental Fund - Special Revenue Student Activities	Total Governmental Funds
REVENUES				
Local sources	\$ 36,993,282	\$ 122,418	\$ 358,246	\$ 37,473,946
State sources	42,541,763	-	-	42,541,763
Federal sources	8,191,079	-	-	8,191,079
TOTAL REVENUES	87,726,124	122,418	358,246	88,206,788
EXPENDITURES				
Current:				
Instructional services	54,082,137	-	-	54,082,137
Support services	28,544,510	-	-	28,544,510
Operation of noninstructional services	1,629,479	-	373,167	2,002,646
Capital outlay	846,148	-	-	846,148
Debt service:				
Principal	2,724,321	-	-	2,724,321
Interest	1,001,193	-	-	1,001,193
Refund of prior year revenues	7,250	-	-	7,250
TOTAL EXPENDITURES	88,835,038	-	373,167	89,208,205
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,108,914)	122,418	(14,921)	(1,001,417)
OTHER FINANCING SOURCES				
Lease issuance proceeds	248,611	-	-	248,611
NET CHANGES IN FUND BALANCES	(860,303)	122,418	(14,921)	(752,806)
FUND BALANCES - BEGINNING OF YEAR	25,903,569	2,274,297	375,659	28,553,525
FUND BALANCES - END OF YEAR	\$ 25,043,266	\$ 2,396,715	\$ 360,738	\$ 27,800,719

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2024

Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (752,806)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation or amortization expense.

Capital outlays	\$ 2,507,533	
Less: loss on disposals	(13,300)	
Less: depreciation and amortization expense	<u>(3,865,897)</u>	(1,371,664)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (68,294)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of bond principal	2,685,000	
Repayment of lease principal	39,321	
Issuance of lease liability	(248,611)	
Amortization of bond premium	172,649	
Amortization of bond discount	(11,958)	
Amortization of deferred charge on bond refunding	<u>(54,225)</u>	2,582,176

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. 11,308

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	(349,560)	
Net pension liability and related deferred outflows and inflows	1,116,944	
Net OPEB liability and related deferred outflows and inflows	<u>310,927</u>	1,078,311

An internal service fund is used to account for future self-insured healthcare costs charged to the individual funds. The net loss of the internal service fund is reported with governmental activities. 701,421

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 2,180,452

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2024

	Enterprise Fund Food Service	Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 1,541,956	\$ -
Interfund receivables	115,657	1,612,953
Intergovernmental receivables	6,260	-
Inventories	42,446	-
Funds held by Southeastern Pennsylvania Schools Trust	-	4,345,828
TOTAL CURRENT ASSETS	1,706,319	5,958,781
NONCURRENT ASSETS		
Long-term deposit	-	158,000
Furniture and equipment, net	320,532	-
TOTAL NONCURRENT ASSETS	320,532	158,000
TOTAL ASSETS	2,026,851	6,116,781
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension	521,393	-
Deferred outflows of resources for other postemployment benefits	69,309	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	590,702	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	4,297	554,112
Accrued salaries and benefits	32,537	-
Unearned revenues	2,625	-
TOTAL CURRENT LIABILITIES	39,459	554,112
NONCURRENT LIABILITIES		
Compensated absences	25,319	-
Net pension liability	1,689,435	-
Net other postemployment benefit liabilities	131,190	-
TOTAL NONCURRENT LIABILITIES	1,845,944	-
TOTAL LIABILITIES	1,885,403	554,112
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension	87,019	-
Deferred inflows of resources for other postemployment benefits	25,682	-
TOTAL DEFERRED INFLOWS OF RESOURCES	112,701	-
NET POSITION		
Investment in capital assets	320,532	-
Restricted for health claims	-	4,345,828
Restricted terminal liability reserve	-	158,000
Unrestricted	298,917	1,058,841
TOTAL NET POSITION	\$ 619,449	\$ 5,562,669

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS**

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Food service revenue	\$ 87,219	\$ -
Charges for services	<u>-</u>	<u>7,415,339</u>
TOTAL OPERATING REVENUES	87,219	7,415,339
OPERATING EXPENSES		
Salaries	705,678	-
Employee benefits	505,835	-
Pension and OPEB valuation adjustments	(83,958)	-
Purchased property services	8,628	-
Supplies	1,498,380	-
Depreciation	43,965	-
Other operating costs	5,617	-
Health claims and administrative expenses	<u>-</u>	<u>6,915,795</u>
TOTAL OPERATING EXPENSES	<u>2,684,145</u>	<u>6,915,795</u>
OPERATING INCOME (LOSS)	(2,596,926)	499,544
NONOPERATING REVENUES		
Earnings on investments	73,915	201,877
State sources	221,277	-
Federal sources	<u>2,672,598</u>	<u>-</u>
TOTAL NONOPERATING REVENUES	<u>2,967,790</u>	<u>201,877</u>
CHANGES IN NET POSITION	370,864	701,421
NET POSITION - BEGINNING OF YEAR	<u>248,585</u>	<u>4,861,248</u>
NET POSITION - END OF YEAR	<u><u>\$ 619,449</u></u>	<u><u>\$ 5,562,669</u></u>

See accompanying notes.

POTTSTOWN SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from users	\$ 87,109	\$ 7,415,339
Payments to employees for services	(1,236,556)	-
Payments for supplies and other operating expenses	(1,447,213)	-
Payments for health claims and administrative expenses	<u>-</u>	<u>(7,617,216)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(2,596,660)	(201,877)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	221,683	-
Federal sources	<u>2,522,485</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,744,168	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(121,439)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>73,915</u>	<u>201,877</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,984	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,441,972</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,541,956</u></u>	<u><u>\$ -</u></u>

POTTSTOWN SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED**

For the Year Ended June 30, 2024

	<u>Enterprise Fund Food Service</u>	<u>Internal Service Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities:</u>		
Operating income (loss)	\$ (2,596,926)	\$ 499,544
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	43,965	-
Donated commodities used	162,119	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Inventories	(20,594)	-
Funds held by Southeastern Pennsylvania Schools Trust	-	(1,255,533)
Interfund balances	(32,066)	-
Deferred outflows of resources for pension	(87,119)	-
Deferred outflows of resources for other postemployment benefits	5,860	-
Accounts payable	(76,113)	554,112
Accrued salaries and benefits	3,619	-
Unearned revenues	(110)	-
Compensated absences	3,404	-
Net pension liability	22,477	-
Net other postemployment benefit liabilities	(7,232)	-
Deferred Inflows of resources for pension	(12,953)	-
Deferred inflows of resources for other postemployment benefits	(4,991)	-
Total adjustments	<u>266</u>	<u>(701,421)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (2,596,660)</u></u>	<u><u>\$ (201,877)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$162,119 of commodities
from the U.S. Department of Agriculture.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

Pottstown School District ("School District" or the "District") is located in Montgomery County, Pennsylvania. The District is comprised of a pre-k learning center, four elementary schools, one elementary building for special education programs, one middle school, and one high school, serves approximately 3,300 students.

Pottstown School District is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term. The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such district between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pottstown School District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the District has determined it has no component units.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one jointly governed organization:

Jointly Governed Organization: The District is a participating member of the Montgomery County Intermediate Unit (MCIU). The MCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve MCIU's annual operating budget.

The MCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the MCIU. The MCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between governmental funds and business-type and fiduciary funds.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are reported by fund type. The District currently does not have any fiduciary funds.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

The District Reports the Following Nonmajor Governmental Fund:

Special Revenue Fund

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District's special revenue funds are the following:

Student Activities: This fund is established to account for financial resources to be used for various student activities.

The District has the Following Major Enterprise (Proprietary) Fund:

Food Service Fund: The food service fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the District Reports the Following Fund Type:

Internal Service Fund: This fund accounts for the financing of services provided to other departments or agencies of the government on a cost reimbursement basis. The District's internal service fund is a major proprietary fund used to account for the activity related to the District's self-insured medical, vision, and prescription drug plan. Since this fund supports largely governmental activities, it is included in governmental activities in the government-wide statements.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund and internal service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and state subsidies are considered non-operating revenues as no exchange transaction occurs.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time-eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt, including leases and subscriptions, are reported as other financing sources.

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education (PDE) and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

F. Financial Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

2. Investments

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories and Prepaid Items

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2024, consisted of the following:

Purchased food and supplies	\$	41,772
Donated commodities		674
	\$	<u>42,446</u>

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenses/expenditures when consumed rather than when purchased.

5. Capital Assets, Depreciation, and Amortization

The District's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Right-to-use lease assets are reported when a qualifying lease liability is incurred.

The District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable and amortizable assets are as follows:

Assets	Years
Buildings and building improvements	5 - 40
Site improvements	15 - 40
Furniture and equipment	5 - 20
Vehicles	5 - 7
Right-to-use lease assets	2 - 5

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2024.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental, and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

8. Compensated Absences

District policies permit employees to accumulate earned but unused vacation and sick days based on employment agreements. Payments for vacation and sick pay are expensed as paid in the governmental fund statements. Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

9. Long-Term Obligations

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

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

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Leases

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

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

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

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

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

Lease assets are reported with capital assets and lease liabilities are reported with noncurrent liabilities on the statement of net position.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The District accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

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

12. Other Postemployment Benefits (OPEB)

The District's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

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

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The District has three items that qualify for reporting in this category:

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other postemployment benefits relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category:

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefits relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Net Position and Flow Assumptions

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. If there are unspent related debt proceeds at year-end, the portion of debt attributed to the unspent bond proceeds is not included in the calculation of net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

15. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The nonspendable fund balance classification represents assets in nonspendable form and includes items such as prepaid expenditures and inventory.

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of school directors may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District's unassigned and assigned fund balance of the General Fund should not be less than 5% of the following year's budgeted expenditures. In any fiscal year where the school district is unable to maintain this minimum reservation of fund balance, the school district shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The District's policy states there are no restrictions on the order of the unrestricted fund balances used when an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balance. The decision will be made at the discretion of the business manager.

G. Use of Estimates

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

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District had no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

For the year ended June 30, 2024, no individual funds had a deficit fund balance or net position.

C. Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2024, the general fund had excess expenditures over appropriations of \$8,843,464. These expenditures were covered by excess revenues, which included unbudgeted grant revenues, other financing sources, and existing fund balances.

NOTE 3 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The carrying amount of cash and investments at June 30, 2024, consists of the following:

Petty cash	\$ 1,087
Demand deposit accounts	19,234,516
Pooled cash and investments	<u>11,472,486</u>
	<u>\$ 30,708,089</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2024, the carrying amount of the District's deposits was \$19,234,516 and the bank balance was \$19,247,818. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$18,997,818 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

Restricted Cash

Included in the District's deposits is \$210,707 of restricted cash held in a trust to support the District's music program.

Pooled Cash and Investments

As of June 30, 2024, the District had the following pooled cash and investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Level</u>
<u>Pooled Cash and Investments</u>				
PA School District Liquid Asset Fund:				
MAX Account Balance	< 1 year	\$ 7,012,435	\$ 7,012,435	N/A
Less: reconciling items			<u>(1,595,687)</u>	
Total pooled cash			5,416,748	
U.S. Treasury Strips	1-5 years	5,864,625	<u>6,055,738</u>	2
Total pooled cash and investments			<u>\$ 11,472,486</u>	

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$13,068,173 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued

A portion of the District's deposits were in the Pennsylvania School District Liquid Asset Fund (PSDLAF). PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The District's investment carrying value of \$6,055,738 for the year ended June 30, 2024 is assessed using Level 2 inputs based on significant other observable inputs.

As of June 30, 2024, the entire PSDLAF book balance of \$11,472,486 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2024, the District's investments were rated as:

Investment	Standard & Poor's
PA School District Liquid Asset Fund	AAAm
U.S. Treasury Strips	AAA

Concentration of Credit Risk

The District does not have a policy that would limit the amount it may invest in any one issuer. The District has no investments subject to this risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has one independently elected tax collector who is responsible for the collection of taxes. Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County's Board of Assessment. All taxable real property was assessed at \$780,076,532. In accordance with Act 1 of 2006, the District received \$2,047,500 in property tax reduction funds for the 2023/2024 fiscal year. The District tax rate for the year ended June 30, 2024, was 41.9600 mills (\$41.96 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date - All taxes unpaid become delinquent and are turned over to a third party for collection.

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance reported as unavailable revenue under deferred inflows of resources in the fund financial statements.

The balances at June 30, 2024, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate	\$ 1,977,409	\$ 37,106	\$ 1,940,303	\$ 122,086	\$ 1,855,323
Earned income tax	58,441	-	58,441	58,441	-
Other	124,531	-	124,531	124,531	-
	<u>\$ 2,160,381</u>	<u>\$ 37,106</u>	<u>\$ 2,123,275</u>	<u>\$ 305,058</u>	<u>\$ 1,855,323</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2024:

Name of Government Unit	General Fund	Enterprise Food Service
Commonwealth of Pennsylvania:		
Pre-K Counts - Pennsylvania Department of Education (PDE)	\$ 218,333	\$ -
Retirement - PDE	2,776,778	-
Social Security - PDE	556,972	-
Ready to Learn Grant - PDE	2,500,000	-
National School Lunch/Breakfast Programs - PDE	-	205
Transportation Subsidy - PDE	157,769	-
School Safety and Mental Health Grants - Pennsylvania Commission on Crime and Delinquency	296,391	-
Federal Subsidies:		
Title I Grants to Local Educational Agencies - PDE	552,352	-
Career and Technical Training - PDE	7,187	-
Student Support and Academic Enrichment	97,312	-
21st Century Community Learning Centers - PDE	78,281	-
COVID-19 - Education Stabilization Fund - PDE	2,310,363	-
Medical Assistance Program - PA Department of Human Services	9,209	-
National School Lunch/Breakfast Programs - PDE	-	6,055
Special Education - Grants to States - Lancaster-Lebanon Intermediate Unit	33,100	-
Gaining Early Awareness and Readiness for Undergraduate Programs - Shippensburg University	457,434	-
	<u>\$ 10,051,481</u>	<u>\$ 6,260</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The District had the following interfund receivables/payables at June 30, 2024:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 38,066	\$ 1,736,242
Capital Projects Fund	-	30,434
Food Service Fund	115,657	-
Internal Service Fund	<u>1,612,953</u>	<u>-</u>
	<u>\$ 1,766,676</u>	<u>\$ 1,766,676</u>

Interfund receivables and payables exist as a result of a time lag between dates when payments between funds are made. All will be paid within one year.

The District did not make any interfund transfers during the fiscal year ended June 30, 2024.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2024, were as follows:

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 298,222	\$ -	\$ -	\$ 298,222
Construction-in-progress	446,210	1,024,016	(1,038,014)	432,212
Total not being depreciated	<u>744,432</u>	<u>1,024,016</u>	<u>(1,038,014)</u>	<u>730,434</u>
Capital assets being depreciated:				
Buildings and building improvements	96,830,993	670,501	1,024,714	98,526,208
Site improvements	4,400,461	269,661	-	4,670,122
Furniture and equipment	11,920,288	227,451	-	12,147,739
Vehicles	317,093	62,225	(9,500)	369,818
Total being depreciated	<u>113,468,835</u>	<u>1,229,838</u>	<u>1,015,214</u>	<u>115,713,887</u>
Less accumulated depreciation for:				
Buildings and building improvements	50,023,910	3,260,655	-	53,284,565
Site improvements	2,913,380	156,545	-	3,069,925
Furniture and equipment	10,498,577	380,349	-	10,878,926
Vehicles	303,885	20,812	(9,500)	315,197
Total accumulated depreciation	<u>63,739,752</u>	<u>3,818,361</u>	<u>(9,500)</u>	<u>67,548,613</u>
Total capital assets being depreciated, net	<u>49,729,083</u>	<u>(2,588,523)</u>	<u>1,024,714</u>	<u>48,165,274</u>
Right-to-use lease assets being amortized:				
Equipment	178,256	253,679	(178,256)	253,679
Less accumulated amortization for:				
Equipment	164,544	47,536	(178,256)	33,824
Total right-to-use lease assets being amortized, net	<u>13,712</u>	<u>206,143</u>	<u>-</u>	<u>219,855</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u><u>\$ 50,487,227</u></u>	<u><u>\$ (1,358,364)</u></u>	<u><u>\$ (13,300)</u></u>	<u><u>\$ 49,115,563</u></u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,167,945	\$ 121,439	\$ -	\$ 1,289,384
Less accumulated depreciation for:				
Furniture and equipment	924,887	43,965	-	968,852
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	<u><u>\$ 243,058</u></u>	<u><u>\$ 77,474</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 320,532</u></u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

Depreciation and amortization expense was charged to functions/programs of the governmental activities of the primary government as follows:

Instruction	\$ 863,131
Instructional student support	513,557
Administrative and financial support services	209,433
Operation and maintenance of plant services	2,171,581
Pupil transportation	59,706
Student activities	38,362
Community services	10,127
	<hr/>
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 3,865,897
	<hr/>

NOTE 8 - LONG-TERM LIABILITIES

The District issues general obligation bonds to provide resources for major capital improvements. The bonds are issued on a pledge of the full faith and credit of the District as well as their general taxing authority. Bonds payable are as follows at June 30, 2024:

General Obligation Bonds, Series of 2021: The General Obligation Bonds, Series of 2021, aggregate principal of \$9,640,000, were issued on October 7, 2021, for the purpose of currently refunding the outstanding General Obligation Bonds, Series of 2016. The bonds mature from January 1, 2022, to January 1, 2031. Interest rates range from 1.0% to 2.0%. Cash flow savings was \$360,204 related to the refunding.

\$ 9,460,000

General Obligation Bonds, Series of 2020: The General Obligation Bonds, Series of 2020, aggregate principal of \$9,785,000, were issued on June 25, 2020, for the purpose of currently refunding the outstanding General Obligation Bonds, Series of 2013 and 2017 and General Obligation Notes, Series of 2015. The bonds mature from June 1, 2021, to June 1, 2027. Interest rates range from 1.0% to 4.0%. Cash flow savings was \$319,056 related to the refunding.

4,160,000

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds, Series A of 2019: The General Obligation Bonds, Series A of 2019, aggregate principal of \$9,660,000, were issued on November 25, 2019, for the purpose of currently refunding a portion of General Obligation Bonds, Series of 2017. The bonds mature from September 1, 2020, to September 1, 2032. Interest rates range from 1.375% to 4.0%. Cash flow savings was \$519,658 related to the refunding. 9,625,000

General Obligation Bonds, Series of 2019: The General Obligation Bonds, Series of 2019, aggregate principal of \$7,040,000, were issued on March 13, 2019, for the purpose of currently refunding the outstanding General Obligation Bonds, Series of 2014. The bonds mature from December 1, 2019, to December 1, 2034. Interest rates range from 1.75% to 3.3%. Cash flow savings was \$702,097 related to the refunding. 6,930,000

General Obligation Bonds, Series of 2018: The General Obligation Bonds, Series of 2018, aggregate principal of \$9,315,000, were issued on December 11, 2018, for the purpose of currently refunding the outstanding General Obligation Note, Series of 2000. The bonds mature from April 1, 2019, to October 1, 2027. Interest rates range from 2.0% to 3.0%. 4,585,000

Total bonds payable \$ 34,760,000

The future annual payments required to amortize all bonds payable for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,780,000	\$ 894,404
2026	2,870,000	803,771
2027	2,960,000	712,421
2028	3,065,000	608,121
2029	3,105,000	563,521
2030-2034	16,870,000	1,688,688
2035	3,110,000	51,316
	<u>\$ 34,760,000</u>	<u>\$ 5,322,242</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Events of Default

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

Leases

The District has entered into various lease agreements for copiers. The leases have various termination dates through October 2028. These leases include monthly payments of principal and interest at rates ranging from 5.67% - 9.70%. The leases are secured by the underlying equipment.

Future lease maturities as of June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 45,284	\$ 15,530	\$ 60,814
2026	48,867	11,947	60,814
2027	52,734	8,080	60,814
2028	56,907	3,907	60,814
2029	<u>19,952</u>	<u>318</u>	<u>20,270</u>
	<u>\$ 223,744</u>	<u>\$ 39,782</u>	<u>\$ 263,526</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2024, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds:					
Bonds payable	\$ 37,445,000	\$ -	\$ 2,685,000	\$ 34,760,000	\$ 2,780,000
Bond discounts	(112,359)	-	(11,958)	(100,401)	-
Bond premiums	805,474	-	172,649	632,825	-
Total bonds payable, net	38,138,115	-	2,845,691	35,292,424	2,780,000
Leases payable	14,454	248,611	39,321	223,744	45,284
Compensated absences	537,573	841,367	491,807	887,133	-
Net pension liability	79,648,042	14,112,439	10,124,916	83,635,565	-
Net other postemployment benefit liabilities	5,896,076	589,382	480,353	6,005,105	-
Total Governmental Long-term Liabilities	<u>\$ 124,234,260</u>	<u>\$ 15,791,799</u>	<u>\$ 13,982,088</u>	<u>\$ 126,043,971</u>	<u>\$ 2,825,284</u>
Business-Type Activities					
Compensated absences	\$ 21,915	\$ 9,174	\$ 5,770	\$ 25,319	\$ -
Net pension liability	1,666,958	226,500	204,023	1,689,435	-
Net other postemployment benefit liabilities	138,422	10,509	17,741	131,190	-
Total Business-Type Long-term Liabilities	<u>\$ 1,827,295</u>	<u>\$ 246,183</u>	<u>\$ 227,534</u>	<u>\$ 1,845,944</u>	<u>\$ -</u>

Total interest expense paid during the year was \$1,001,193. Funds to repay outstanding bonds and leases will be provided from future taxes or other general revenues of the general fund. The compensated absence liabilities will be liquidated by the general fund and the food service fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

PSERS (the System) is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24, Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). 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 than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. The contribution rates based on qualified member compensation for virtually all members is presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued:

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%	12.50%
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, 2024 was 33.09% of covered payroll, actuarially determined as an amount that when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$10,877,843 for the year ended June 30, 2024. In addition, the District's contribution to the defined contribution plan was \$88,758 for the year ended June 30, 2024.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and OPEB. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2024, for pension and OPEB benefits was \$8,038,878.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

At June 30, 2024, the District reported a liability of \$85,325,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the District's proportion was 0.1918% which was an increase of 0.0089% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized a pension expense of \$9,683,304. At June 30, 2024, 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	\$ 19,000	\$ 1,168,000
Net difference between projected and actual investment earnings	2,415,000	-
Changes in assumptions	1,273,000	-
Changes in proportion - plan level	5,582,000	168,000
Changes in proportion - internal	60,566	60,566
Difference between employer contributions and proportionate share of total contributions	274,238	-
Contributions made subsequent to the measurement date	10,877,843	-
	<u>\$ 20,501,647</u>	<u>\$ 1,396,566</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$10,877,843 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2025	\$ 3,063,761
2026	691,412
2027	3,608,921
2028	<u>863,144</u>
	<u>\$ 8,227,238</u>

Actuarial Assumptions

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

- Actuarial valuation date - June 30, 2022.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

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

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

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

The 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, 2023 is:

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

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Discount Rate

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

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one 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	\$ 110,605,000	\$ 85,325,000	\$ 63,996,000

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$3,859,007. This amount represents the District's contractually obligated contributions for wages earned in April 2024 through June 2024.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The District has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2024 are as follows:

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 3,488,000	\$ 865,392	\$ 773,000
District OPEB Plan	<u>2,648,295</u>	<u>785,285</u>	<u>3,329,597</u>
Total	<u>\$ 6,136,295</u>	<u>\$ 1,650,677</u>	<u>\$ 4,102,597</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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

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

Pension Plan Description

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

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Benefits Provided

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

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2024, was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$210,392 for the year ended June 30, 2024.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2024, for pension and OPEB benefits was \$8,038,878.

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

At June 30, 2024, the District reported a liability of \$3,488,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.1928% which was an increase of 0.0092% from its proportion measured as of June 30, 2023.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

For the year ended June 30, 2024, the District recognized OPEB expense of \$144,786. At June 30, 2024, 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
Differences between expected and actual experience	\$ 23,000	\$ 35,000
Changes in assumptions	301,000	660,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportion	323,000	78,000
Contributions made subsequent to the measurement date	210,392	-
	<u>\$ 865,392</u>	<u>\$ 773,000</u>

The \$210,392 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2025	\$ (39,000)
2026	(21,000)
2027	(39,000)
2028	(44,000)
2029	25,000
	<u> </u>
Total	<u>\$ (118,000)</u>

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions

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

- Actuarial valuation date - June 30, 2022.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

The 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumptions for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

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.

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, 2023 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	1.2%

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes 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, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2023 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 3,488,000	\$ 3,488,000	\$ 3,488,000

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

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

The following presents the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.13%) or one-percentage point higher (5.13%) than the current rate:

	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
District's proportionate share of the net OPEB liability	\$ 3,944,000	\$ 3,488,000	\$ 3,107,000

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the District had an accrued balance due to PSERS of \$3,859,007, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2024 through June 2024.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

Pottstown School District administers a single-employer, defined benefit, healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug insurance, and dental for eligible retirees through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

Benefits Provided

The District classifies employees in the following categories: Executive Team, Administrators, Teachers, and All Other Employees. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Executive Team

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Must have 25 years of service with the district and be eligible for PSERS retirement.	<u>Coverage</u> Medical, Prescription Drug, Vision, Dental, and Life Insurance. <u>Premium Sharing</u> District pays full premium for Medical, Prescription Drug, Vision, and Dental. <u>Dependents</u> Spouse included. Grandfathered Retiree: two retirees receive fully District-paid life insurance in the amount of \$50,000 until ages 70 and 72.	<ul style="list-style-type: none">For Medical, Prescription Drug, Dental, and Vision, members are covered until eligible for Medicare.Spouses are covered until eligible for Medicare. Grandfathered Retiree: One retiree receives Medical, Prescription Drug, Dental, and Vision until age 72.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

II. Administrators

ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
Must have 25 years of service with the district and be eligible for PSERS retirement.	<p><u>Coverage</u> Medical, Prescription Drug, Vision, and Dental.</p> <p><u>Premium Sharing</u> Member must pay full premium for Vision and Dental. For Medical and Prescription Drug, District will pay 100% of the single coverage premium for the core plan. Member pays for the remainder of the premium.</p> <p>If the member does not meet the requirements for the district subsidy but requirements are met for the Act 110/43 benefit, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <p><u>Dependents</u> Spouse and Family are included.</p>	<ul style="list-style-type: none"> • For Medical, Prescription Drug members are covered until eligible for Medicare. • Dental and vision coverage continues for the lifetimes of the member and spouse. • Spouses are covered until eligible for Medicare but must pay 100% of the premium.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

III. Teachers

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
A) Retired between July 1, 2007, and June 30, 2008, or Between July 1, 2009, and July 1, 2019	<p><u>Coverage</u> Medical, Prescription Drug, Vision, and Dental.</p> <p><u>Premium Sharing</u> Member must pay full premium for Vision and Dental. If the member reaches 20 years of PSERS service with 15 years of District service (20 years of District service if retired prior to July 1, 2016) and is eligible for PSERS retirement, the District will pay 100% of the single premium for the core plan up to \$5,500 per year (\$5,000 if retired prior to July 1, 2015) for up to ten years. The member pays the remainder of the premium.</p> <p>If the member does not reach the requirements for the district subsidy but meets the requirements for Act 110/43, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <p><u>Dependents</u> Spouse and Family are included.</p>	<ul style="list-style-type: none"> • Member and spouse are covered until eligible for Medicare. • Upon death of the member, the spouse and any eligible dependents can continue coverage until the spouse is eligible for Medicare but must pay 100% of the premium.
N/A - Already Retired		

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

III. Teachers - continued

B) Retired between July 1, 2019 and June 30, 2020 N/A Already retired	Same as IIIA except subsidy is for 8 years	Same as IIIA
C) Retired after July 1, 2020 Act 110/43	Act 110/43	Same as IIIA

IV. All Other Employees

A) Retired before July 1, 2022 N/A Already Retired	Same as IIIA	Same as II
B) Retired on or after July 1, 2022 ACT 110/43	Act 110/43	Same as IIIA

Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 62 with 5 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 year of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 65 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 67 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Coordination with Medicare: District plan pays primary. Medicare pays secondary.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Employees Covered by Benefit Terms

At July 1, 2022, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Active participants	449
Retired participants	<u>28</u>
Total	<u><u>477</u></u>

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2023, was determined by rolling forward the District's total OPEB liability as of July 1, 2022 to July 1, 2023, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 4.13% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.
- Healthcare cost trend rates - 7.0% in 2023 with 0.5% decrease per year until 5.5% 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - For Administrators and Executive Team, 100% are assumed to elect coverage if eligible for the district subsidy and 80% otherwise. For the Teachers and Support Staff, 70% are assumed to elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2023	\$ 2,654,498
Changes for the year:	
Service cost	123,877
Interest	106,814
Changes of assumptions	35,414
Benefit payments	<u>(272,308)</u>
Net changes	<u>(6,203)</u>
Balance at June 30, 2024	<u><u>\$ 2,648,295</u></u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 4.06% to 4.13% (2) the healthcare cost trend assumption was updated.

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 one-percentage point lower (3.13%) or one-percentage point higher (5.13%) than the current discount rate:

	<u>1% Decrease 3.13%</u>	<u>Current Discount Rate 4.13%</u>	<u>1% Increase 5.13%</u>
OPEB Plan - Total OPEB Liability	\$ 2,834,444	\$ 2,648,295	\$ 2,472,458

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

The following presents 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 one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB Liability	\$ 2,377,005	\$ 2,648,295	\$ 2,967,155

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

For the year ended June 30, 2024, the District recognized an OPEB expense reduction of \$31,647. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,591	\$ 2,245,438
Changes of assumptions	539,657	1,084,159
Benefit payments made subsequent to the measurement date	220,037	-
	<u>\$ 785,285</u>	<u>\$ 3,329,597</u>

POTTSTOWN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The \$220,037 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2025	\$ (262,338)
2026	(262,338)
2027	(262,338)
2028	(262,338)
2029	(262,338)
Thereafter	<u>(1,452,659)</u>
Total	<u>\$ (2,764,349)</u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation for which the District retains risk of loss. The District monitors their insured programs, hasn't reduced any insurance coverage in the 23/24 year, and increases insurance coverage as needed. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Currently, the District is self-insured for medical and prescription insurance for employees and their dependents. The District is a member of the Southeastern Pennsylvania Schools Trust (SEPaST), a healthcare benefits consortium geared toward generating cost savings for participating school districts. The District uses SEPaST to provide consulting and administrative services to process claims within the self-insurance fund. For the year ended June 30, 2024, the District has coverage for claims in excess of \$300,000 per person with no annual aggregate limit.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 - RISK MANAGEMENT - CONTINUED

Changes in claims are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Claims payable, beginning of year	\$ -	\$ -
Incurred claims	6,915,795	7,089,673
Claims paid	<u>(6,361,683)</u>	<u>(7,089,673)</u>
Claims payable, end of year	<u>\$ 554,112</u>	<u>\$ -</u>

As of June 30, 2024, the District maintains a balance of \$4,345,828 in an escrow account held for future healthcare claims in compliance with the rating and funding policy of the Southeastern Pennsylvania Schools Trust (SEPaST).

NOTE 12 - CONTINGENCIES AND COMMITMENTS

The District receives federal and state funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

The District is the defendant in several lawsuits arising in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been recorded.

At June 30, 2024 the District has entered into contracts for various capital purposes. Commitments are as follows at June 30, 2024.

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
Classroom unit ventilation	\$ 564,000	\$ 564,000
HS weightroom equipment	<u>758,731</u>	<u>758,731</u>
Total	<u>\$ 1,322,731</u>	<u>\$ 1,322,731</u>

The District plans to use existing resources in the general and capital projects fund to fulfill these commitments.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 13 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2024, are as follows:

General Fund

The General Fund has nonspendable funds of \$249,402 related to prepaid expenditures. Restricted funds are \$210,707 for the District's music programs. Committed funds are \$3,119,774 for retirement rate increases. Assigned funds are \$9,535,435 for future capital needs, \$3,002,801 for charter school/special education tuition, \$2,102,329 for transportation, and \$37,636 for appropriations for the 2024/2025 budget. The remaining fund balance of \$6,785,182 is unassigned. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects Fund

The capital projects fund has restricted funds of \$2,396,715 as authorized by Municipal Code P.L. 145 Act of April 30, 1943 and comprised of surplus money transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets.

Nonmajor Fund

The nonmajor fund has restricted funds of \$360,738 for student activities.

POTTSTOWN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- Statement No. 102, *Certain Risk Disclosures* - The primary objective of this statement is to provide users of government financial statements with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- Statement No. 103, *Financial Reporting Model Improvements* - The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- Statement No. 104, *Disclosure of Certain Capital Assets* - The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

POTTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2024

	Budgeted Amount		Actual	Variances
	Original	Final	(GAAP) Basis	Final to Actual
REVENUES				
Local sources	\$ 33,934,431	\$ 33,934,431	\$ 36,993,282	\$ 3,058,851
State sources	38,386,280	38,386,280	42,541,763	4,155,483
Federal sources	6,991,228	6,991,228	8,191,079	1,199,851
TOTAL REVENUES	79,311,939	79,311,939	87,726,124	8,414,185
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	24,584,527	28,344,527	28,841,508	(496,981)
Special programs - elementary/secondary	14,087,510	17,231,144	18,850,781	(1,619,637)
Vocational education	1,315,537	1,315,537	1,827,058	(511,521)
Other instructional programs - elementary/secondary	1,250,520	1,250,520	1,655,321	(404,801)
Instruction - nonpublic school programs	-	-	13,093	(13,093)
Pre-kindergarten	2,961,857	2,577,663	2,894,376	(316,713)
TOTAL INSTRUCTIONAL SERVICES	44,199,951	50,719,391	54,082,137	(3,362,746)
SUPPORT SERVICES:				
Students	4,694,731	4,481,641	5,467,541	(985,900)
Instructional staff	2,919,493	2,680,140	3,240,358	(560,218)
Administration	4,817,385	4,535,695	4,873,899	(338,204)
Pupil health	1,685,724	1,416,213	1,587,634	(171,421)
Business services	1,146,495	1,104,146	1,172,361	(68,215)
Operation and maintenance of plant	5,733,334	5,698,639	7,833,780	(2,135,141)
Student transportation	2,796,000	2,796,000	3,607,864	(811,864)
Central	654,455	630,123	744,848	(114,725)
Other	-	-	16,225	(16,225)
TOTAL SUPPORT SERVICES	24,447,617	23,342,597	28,544,510	(5,201,913)
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student activities	1,284,286	1,194,867	1,537,516	(342,649)
Community services	111,330	111,330	91,963	19,367
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,395,616	1,306,197	1,629,479	(323,282)
CAPITAL OUTLAY	930,000	930,000	846,148	83,852
DEBT SERVICE	3,693,389	3,693,389	3,725,514	(32,125)
REFUND OF PRIOR YEAR REVENUES	-	-	7,250	(7,250)
TOTAL EXPENDITURES	74,666,573	79,991,574	88,835,038	(8,843,464)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,645,366	(679,635)	(1,108,914)	(429,279)
OTHER FINANCING SOURCES (USES)				
Lease issuance proceeds	-	-	248,611	248,611
Budgetary reserve	(5,325,001)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,325,001)	-	248,611	248,611
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	\$ (679,635)	\$ (679,635)	(860,303)	\$ (180,668)
FUND BALANCE - BEGINNING OF YEAR			25,903,569	
FUND BALANCE - END OF YEAR			\$ 25,043,266	

See note to required supplementary information.

POTTSTOWN SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2023/2024 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2024, the general fund had excess expenditures over appropriations of \$8,843,464. These expenditures were covered by excess revenues, which included unbudgeted grant revenues, other financing sources, and existing fund balances.

Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2024. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

POTTSTOWN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS -
PENSION PLAN**

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the collective net pension liability	0.1918%	0.1829%	0.1715%	0.1729%	0.1769%	0.1758%	0.1868%	0.1834%	0.1829%	0.1848%
District's proportionate share of the collective net pension liability	\$ 85,325,000	\$ 81,315,000	\$ 70,412,000	\$ 85,134,000	\$ 82,758,000	\$ 84,393,000	\$ 92,258,000	\$ 90,887,000	\$ 79,224,000	\$ 73,145,000
District's covered payroll	\$ 29,537,537	\$ 27,001,394	\$ 24,433,194	\$ 24,384,815	\$ 24,402,959	\$ 23,671,230	\$ 24,876,388	\$ 23,752,630	\$ 23,528,030	\$ 23,582,695
District's proportionate share of the net pension liability as a percentage of its covered payroll	288.87%	301.15%	288.18%	349.13%	339.13%	356.52%	370.87%	382.64%	336.72%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

The District's covered payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes in benefit terms

With the passage of Act 5 on June 12, 2017, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021

- The discount rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

POTTSTOWN SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,877,843	\$ 10,328,939	\$ 9,137,765	\$ 8,197,381	\$ 8,152,482	\$ 7,858,587	\$ 7,903,347	\$ 7,477,384	\$ 5,834,012	\$ 4,696,902
Contributions in relation to the contractually required contribution	10,877,843	10,328,939	9,137,765	8,197,381	8,152,482	7,858,587	7,903,347	7,477,384	5,834,012	4,696,902
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,908,603	\$ 29,537,537	\$ 27,001,394	\$ 24,433,194	\$ 24,384,815	\$ 24,402,959	\$ 23,671,230	\$ 24,876,388	\$ 23,752,630	\$ 23,528,030
Contributions as a percentage of covered payroll	33.05%	34.97%	33.84%	33.55%	33.43%	32.20%	33.39%	30.06%	24.56%	19.96%

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS -
PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.1928%	0.1836%	0.1724%	0.1737%	0.1769%	0.1758%	0.1868%	0.1834%
District's proportionate share of the collective net PSERS OPEB liability	\$ 3,488,000	\$ 3,380,000	\$ 4,085,000	\$ 3,753,000	\$ 3,762,000	\$ 3,665,000	\$ 3,806,000	\$ 3,950,000
District's covered payroll	\$ 29,537,537	\$ 27,001,394	\$ 24,433,194	\$ 24,384,815	\$ 24,402,959	\$ 23,671,230	\$ 24,876,388	\$ 23,752,630
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

The District's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes in benefit terms

None.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2021

- The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total OPEB liability beginning June 30, 2016

- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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.

For each year presented, the discount rate is updated using the S&P 20-year Municipal Bond Rate.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 210,392	\$ 225,786	\$ 215,070	\$ 200,592	\$ 205,278	\$ 200,081	\$ 206,672	\$ 212,542	\$ 196,023	\$ 206,205
Contributions in relation to the contractually required contribution	210,392	225,786	215,070	200,592	205,278	200,081	206,672	212,542	196,023	206,205
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 32,908,603	\$ 29,537,537	\$ 27,001,394	\$ 24,433,194	\$ 24,384,815	\$ 24,402,959	\$ 23,671,230	\$ 24,876,388	\$ 23,752,630	\$ 23,528,030
Contributions as a percentage of covered payroll	0.64%	0.76%	0.80%	0.82%	0.84%	0.82%	0.87%	0.85%	0.83%	0.88%

POTTSTOWN SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:							
Service cost	\$ 123,877	\$ 358,488	\$ 359,872	\$ 485,652	\$ 482,506	\$ 517,275	\$ 490,888
Interest	106,814	123,343	101,285	274,253	239,636	251,262	181,978
Changes in benefit terms	-	(811,777)	-	(1,697,906)	-	1,357	-
Differences between expected and actual experience	-	(1,015,280)	-	(1,761,901)	-	(189,916)	-
Changes in assumptions	35,414	(891,981)	(140,650)	490,868	(209,905)	(166,632)	338,753
Benefit payments	(272,308)	(348,190)	(362,573)	(405,045)	(382,202)	(343,847)	(289,318)
Net change in total OPEB liability	(6,203)	(2,585,397)	(42,066)	(2,614,079)	130,035	69,499	722,301
Total OPEB liability, beginning	2,654,498	5,239,895	5,281,961	7,896,040	7,766,005	7,696,506	6,974,205
Total OPEB liability, ending	<u>\$ 2,648,295</u>	<u>\$ 2,654,498</u>	<u>\$ 5,239,895</u>	<u>\$ 5,281,961</u>	<u>\$ 7,896,040</u>	<u>\$ 7,766,005</u>	<u>\$ 7,696,506</u>
Covered Employee Payroll	<u>\$ 23,653,473</u>	<u>\$ 23,653,473</u>	<u>\$ 23,454,345</u>	<u>\$ 23,454,345</u>	<u>\$ 23,812,469</u>	<u>\$ 23,812,469</u>	<u>\$ 23,349,759</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	11.20%	11.22%	22.34%	22.52%	33.16%	32.61%	32.96%

NOTES TO SCHEDULE

Changes of Benefit Terms

None for the July 1, 2023 measurement date.

Significant changes in benefit terms for prior measurement dates are as follows:

- For July 1, 2022 measurement date, teachers no longer receive \$5,500 subsidy, they can retire under normal Act 110/43.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2023 measurement date are as follows:

- The discount rate changed from 4.06% to 4.13%.
- The healthcare cost trend assumption was updated.

Significant changes in assumptions for prior measurement dates are as follows:

- The discount rate was updated each year based on the S&P Municipal Bond 20-Year High Grade Index.
- The healthcare cost trend assumption was updated each year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

SUPPLEMENTARY INFORMATION

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Unearned) Revenue at July 1, 2023	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2024
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	I	84.010	013-240348	07/01/23-09/30/24	\$ 1,722,027	\$ 1,293,240	\$ -	\$ 1,722,027	\$ 428,787
Title I Grants to Local Educational Agencies	I	84.010	013-230348	07/01/22-09/30/23	1,406,463	1,218,934	1,218,934	-	-
Title I Grants to Local Educational Agencies	I	84.010	042-230348	07/26/23-09/30/24	185,347	61,782	-	185,347	123,565
Subtotal - ALN 84.010						2,573,956	1,218,934	1,907,374	552,352
Career and Technical Training	I	84.048	380-240055	07/01/23-06/30/24	86,245	79,058	-	86,245	7,187
Career and Technical Training	I	84.048	380-230055	07/01/22-06/30/23	67,330	39,276	39,276	-	-
Subtotal - ALN 84.048						118,334	39,276	86,245	7,187
Supporting Effective Instruction State Grants	I	84.367	020-240348	07/01/23-09/30/24	176,169	178,310	-	176,169	(2,141)
Supporting Effective Instruction State Grants	I	84.367	020-230348	07/01/22-09/30/23	135,506	117,439	117,439	-	-
Subtotal - ALN 84.367						295,749	117,439	176,169	(2,141)
Title IV Student Support and Academic Enrichment	I	84.424	144-240348	07/01/23-09/30/24	110,106	110,106	-	110,106	-
Title IV Student Support and Academic Enrichment	I	84.424	144-230348	07/01/22-09/30/23	112,837	97,792	97,792	-	-
Student Support and Academic Enrichment - Stronger Connection Grant	I	84.424F	244-240348	04/24/24-09/30/26	1,057,482	-	-	97,312	97,312
Subtotal - ALN 84.424						207,898	97,792	207,418	97,312
21st Century Community Learning Centers	I	84.287	FC4100083529	07/01/23-06/30/24	388,685	310,404	-	388,685	78,281
21st Century Community Learning Centers	I	84.287	FC4100083529	07/01/22-06/30/23	400,000	82,384	82,384	-	-
Subtotal - ALN 84.287						392,788	82,384	388,685	78,281
Education Stabilization Fund									
Passed through the Pennsylvania Department of Education:									
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	223-210348	03/13/20-09/30/24	9,748,114	2,126,861	359,849	4,077,375	2,310,363
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	225-210348	03/13/20-09/30/24	541,177	482,139	282,349	199,790	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	225-210348	03/13/20-09/30/24	108,235	96,427	96,427	-	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	225-210348	03/13/20-09/30/24	108,235	96,427	33,673	62,754	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	I	84.425U	224-210348	03/13/20-09/30/24	95,852	41,827	(6,311)	48,138	-
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-212351	07/01/21-09/30/24	68,293	7,005	7,005	-	-
Subtotal - ALN 84.425 - Total Education Stabilization Fund						2,850,686	772,992	4,388,057	2,310,363
Passed through Shippensburg University:									
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334S	236-004120	10/01/21 - 09/24/28	3,115,256	483,711	181,765	759,380	457,434
Passed through the Montgomery County Intermediate Unit :									
English Language Acquisition State Grants	I	84.365	N/A	07/01/23-09/30/24	5,179	5,179	-	5,179	-
Special Education Cluster:									
Passed through the Montgomery County Intermediate Unit:									
Special Education - Preschool Grants	I	84.173	FA-131-23-0023	07/01/23-06/30/24	5,568	5,568	-	5,568	-
Special Education - Grants to States	I	84.027	FA-062-24-0023	07/01/23-06/30/24	879,668	879,668	-	879,668	-
Special Education - Grants to States	I	84.027	FA-062-23-0023	07/01/22-09/30/23	804,772	804,772	804,772	-	-
Passed through the Lancaster-Lebanon Intermediate Unit:									
Special Education - Grants to States	I	84.027	FA-062-24-0033	07/01/23-06/30/24	50,000	16,900	-	50,000	33,100
Special Education - Grants to States	I	84.027	FA-062-23-0033	07/01/22-06/30/23	50,000	50,000	50,000	-	-
Subtotal - ALN 84.027						1,751,340	854,772	929,668	33,100
TOTAL SPECIAL EDUCATION CLUSTER						1,756,908	854,772	935,236	33,100
TOTAL U.S. DEPARTMENT OF EDUCATION						8,685,209	3,365,354	8,853,743	3,533,888

See notes to schedule of expenditures of federal awards.

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Federal Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Unearned) Revenue at July 1, 2023	Revenue Recognized/Expenditures	Accrued or (Unearned) Revenue at June 30, 2024
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Medicaid Cluster									
Passed through Pennsylvania Department of Human Services:									
Medical Assistance Program	I	93.778	N/A	07/01/23-06/30/24	N/A	-	-	9,209	9,209
Medical Assistance Program	I	93.778	N/A	07/01/22-06/30/23	N/A	34,698	34,698	-	-
SUBTOTAL - ALN 93.778 AND MEDICAID CLUSTER AND									
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						34,698	34,698	9,209	9,209
<u>U.S. DEPARTMENT OF TREASURY</u>									
Passed through the Montgomery County									
Coronavirus State and Local Fiscal Recovery Funds	I	21.027	N/A	03/03/21-12/31/26	237,381	237,381	-	80,909	(156,472)
<u>FEDERAL COMMUNICATIONS COMMISSION</u>									
Emergency Connectivity Fund Program	D	32.009	N/A	07/01/23-06/30/24	93,853	93,583	-	93,583	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed through Pennsylvania Department of Education:									
COVID-19 - State Pandemic Electronic Benefit Transfer Administrative Costs	I	10.649	N/A	07/01/23-06/30/24	N/A	3,256	-	3,256	-
Child Nutrition Cluster									
Passed through Pennsylvania Department of Education:									
School Breakfast Program	I	10.553	N/A	07/01/23-06/30/24	N/A	684,575	-	686,855	2,280
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	6,792	6,792	-	-
Subtotal - ALN 10.553						691,367	6,792	686,855	2,280
National School Lunch Program	I	10.555	N/A	07/01/23-06/30/24	N/A	1,740,500	-	1,744,275	3,775
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	11,269	11,269	-	-
National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	07/01/23-06/30/24	N/A	76,093	-	76,093	-
Passed through Pennsylvania Department of Agriculture:									
National School Lunch Program (Donated Commodities)	I	10.555	N/A	07/01/23-06/30/24	N/A	162,496	(297)	162,119	(674)
Subtotal - ALN 10.555						1,990,358	10,972	1,982,487	3,101
TOTAL CHILD NUTRITION CLUSTER						2,681,725	17,764	2,669,342	5,381
TOTAL U.S. DEPARTMENT OF AGRICULTURE						2,684,981	17,764	2,672,598	5,381
TOTAL FEDERAL AWARDS						<u>\$ 11,735,852</u>	<u>\$ 3,417,816</u>	<u>\$ 11,710,042</u>	<u>\$ 3,392,006</u>

Source Code: D - Direct Funding and I - Indirect Funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2024.

POTTSTOWN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Pottstown School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pottstown School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Pottstown School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the de minimis rate for indirect costs.

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2024 was \$94,050.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District had \$674 of food commodity inventory.

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

**To the Board of School Directors
Pottstown School District
Pottstown, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pottstown School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Pottstown School District's basic financial statements and have issued our report thereon dated February 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Herbein + Company, Inc.

Reading, Pennsylvania

February 13, 2025

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

**To the Board of School Directors
Pottstown School District
Pottstown, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Herbein + Company, Inc.

Reading, Pennsylvania
February 13, 2025

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? yes X no

Identification of major program(s):

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
	<u>Special Education Cluster (IDEA)</u>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
	<u>Child Nutrition Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? X yes no

POTTSTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs.



POTTSTOWN SCHOOL DISTRICT

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STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section II - Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2023.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs for the year ended June 30, 2023.